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| Title | The impact of outsourcing in handling of water seepage complaints in Hong Kong |
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| Citation | |
| Issued Date | 2009 |
| URL | http://hdl.handle.net/10722/131018 |
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THE UNIVERSITY OF HONG KONG

**THE IMPACT OF OUTSOURCING IN HANDLING OF WATER
SEEPAGE COMPLAINTS IN HONG KONG**

A DISSERTATION SUBMITTED TO
THE FACULTY OF ARCHITECTURE
IN CANDIDACY FOR THE DEGREE OF
BACHELOR OF SCIENCE IN SURVEYING

DEPARTMENT OF REAL ESTATE AND CONSTRUCTION

BY
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HONG KONG
APRIL 2009

DECLARATION

I declare that this dissertation represents my own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or to any other institution for a degree, diploma or other qualification.

Signed: _____

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Date: 14th April, 2009

Abstract

Water seepage in multi-story buildings is stated as a longstanding and complex problem for residents in Hong Kong. The public awareness to water seepage in buildings has greatly increased since the outbreak of severe acute respiratory syndrome (SARS) in 2003. In order to maintain a healthy and safety environment in a building, owners have the duty to solve the seepage problems. On the other hand, the Government also has the responsibilities to intervene the seepage problems if the seepage causes public health nuisance, building safety risks or wastage of water. In 2006, Joint Office (JO) was jointly set up by Buildings Department and Food and Environmental Hygiene Department to abate the public health nuisance by providing a one-stop service for handling seepage complaints. In the three stages of investigation procedure of seepage complaints, the work in Stage III is outsourced to the consultants for professional investigation. The investigation report of Ombudsman in 2008 revealed that JO was ineffective in managing and monitoring the consultants and low quality of service by the consultants was then resulted.

This study aims at finding the impact of outsourcing to the operation of JO. Performance measurements, outsourcing outcomes and outsourcing relationships are the three main aspects for the study. Questionnaire surveys and interviews are conducted to collect opinions from JO and the consultants about those three aspects. After analyzing the data, it is found that no serious impact was observed in the operation. Instead, this study gives the insight that the communication and relationship problems with complainants and undercomplainants are the major obstacle in handling water seepage complaints efficiently to provide a high quality service. Some improvement measures are recommended for further operation of JO.

Acknowledgements

I would like to take this opportunity to express my sincere gratitude to the following persons for their kind help throughout the process of preparing and writing this dissertation.

First, I am deeply grateful to my dissertation supervisor, Dr. S. W. Poon, Acting Head of Department of Real Estate and Construction, the University of Hong Kong, for his invaluable advices and comments throughout the study.

Second, I would like to give my sincere thanks to Mr. Albert Wong, Ms. Ruby Tang, Mr. Kelvin Shek, Ms. Pauline Cheung and Mr. Dicky Chow for their generosity in dedicating their time to interviews. Their valuable experience and information greatly contributed to this study and really helped me to gain an insight into the outsourcing arrangement of Joint Office in handling of water seepage complaints

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Third, I am especially indebted to Ms. Ruby Tang in helping me to distribute the questionnaires to the Building Safety Officers and the consultants. I would also like to show my sincere thanks to all respondents of the questionnaires. The questionnaire surveys could not be established without all their help.

Finally, I would like to give my thankfulness to my dearest family, friends and classmates for their great support and encouragement.

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Chapter 1 – Introduction

1.1 Background of the study

In Hong Kong, water seepage is a very common building defect found in multi-story buildings. It is seen as a longstanding and complex problem for residents and the Hong Kong Government. The reasons for water seepage occurring in buildings can be due to construction workmanship, aging problem and building management. The issue that makes all of us to concern is that water seepage in buildings can cause a threat to hygiene and a deterioration of building safety. After the unforgettable experience in 2003, the community outbreak of severe acute respiratory syndrome (SARS) in Hong Kong largely drew the public concern to building hygiene and safety. The experts found that the outbreak of SARS in Block E of Amoy Gardens was due to the vertical spread of the communicable disease over the defected sewerage and drainage systems of the buildings (Wong and Hui, 2005). Simultaneously, defected sewerage and drainage systems are the main sources of water seepage in multi-story buildings. Other main sources of seepage are floor infiltration of bathroom, supply pipe leakage for fresh water or flushing water supply and rain water leakage from building envelope.

Unlike the unauthorized buildings works in Hong Kong, there have not been any formally published record of water seepage occurred in buildings. However, the community outbreak of SARS in Hong Kong affected 1,755 individuals which include 300 deaths. These numbers, rather than any formal record, have already drawn the public awareness on the issue of building health and safety. The consequence of defected sewerage and drainage systems seems unpredictable before the year 2003. Nevertheless, no one wants the “disaster” to happen again.

For all property owners or occupiers, they must want to eliminate this building defects out of their properties. Government also has increased the concern about water seepage as well as the public health nuisance in multi-story buildings. In order to promote the water seepage knowledge to the public, Buildings Department (BD) and Food and Environmental Hygiene Department (FEHD) have jointly published the “Do-it-yourself Water Seepage Test” pamphlet providing some investigation methods of water seepage in buildings. Originally, it should be the duty of property owners to deal with water seepage in buildings. They can also call the Government for help if they cannot solve the problem by themselves. In the past, those two departments, BD and FEHD, as well as the Water Supplies Department and Housing Department would handle water seepage complaints from the public. However, the performance in handling the matter was unsatisfactory (Wong and Hui, 2005). In recent years, BD and FEHD set up the Joint Office (JO) in order to improve the operation. Despite of the improvement, the investigation report of Ombudsman (2008) addressed the deficiencies observed in the operation of JO. Such deficiencies were subject to the investigation of seepage complaints, enforcement action to the liable party, management of JO and management of consultant contracts. In particular to the management of consultant contracts, Ombudsman blamed that JO was ineffective in managing and monitoring consultants and the duration of consultant contracts was too short.

In addition to the deficiencies, the study of Kakabadse and Kakabadse (2001) reveals that outsourcing public services is actually causing negative impacts to the service or the organization itself. Such impacts would be less operational flexibility, lower operational effectiveness, poor use of in-house staff, more adversarial relationship, etc.

With matching the deficiencies found in JO’s outsourcing management and the

inspiration from the scholar, this study is going to test if the negative impact exists in the public service provided by JO.

1.2 Aims and Objectives

This study is conducted with the aim of finding out the underlying impacts of outsourcing management in the service of handling of water seepage complaints provided by JO. It is believed that improvement to the service can only be proposed once the roots of deficiencies and negative impacts are identified. Therefore, the objectives of this study are:

- (i) To study the definition, motivation, benefits, risks of outsourcing.
- (ii) To study the management and impact in public service outsourcing.
- (iii) To address the government intervention of water seepage problems in Hong Kong.
- (iv) To examine the roles and responsibilities of JO and the consultants in outsourcing arrangement of handling of water seepage complaints.
- (v) To investigate the impacts of outsourcing to the water seepage investigation service provided by JO.
- (vi) To make recommendations for further outsourcing arrangement to JO.

1.3 Hypothesis

Outsourcing has been widely used by public organizations to enhance cost-effectiveness and quality of service. Some cases in the direct investigation report of Ombudsman shows that quality of service provided by consultants was unsatisfactory. In light of this, it is highly possible that negative impacts exist in the outsourcing arrangement of JO. So, the hypothesis of this study is:

- Current outsourcing arrangement of handling of water seepage complaints leads to negative impacts to the operation.

1.4 Methodology

To test the hypothesis, three kinds of research methods are used to conduct the study. They are literature review, questionnaire surveys and interviews. Information and data obtained by these three methods can supplement each other to give a more holistic view over the outsourcing of handling of water seepage complaints by JO.

1.4.1 Literature review

There is no room for argument without the base of theory. Literature review can provide a better understanding to what is developing in the knowledge of outsourcing. The theory of outsourcing, outsourcing in public services, as well as the background of JO and all relevant information are collected from books, journals, press releases and the Internet. To have deeper understanding to the operation of JO, the full report of the direct investigation of Ombudsman is obtained for the study. With these bases of study, questionnaire and questions of interview can be set accordingly to test the hypothesis.

1.4.2 Questionnaires

After reviewing literature on outsourcing from different scholars and having deeper understanding of the operation of JO, several possible negative impacts might be identified in certain areas of the service. Then, statements of the possible impacts in those areas are derived. To determine whether those impacts exist in the outsourcing arrangement, two questionnaires are designed to collect opinions of the Building Safety Officers of JO and all relevant staff of the consultants.

In JO, it is subdivided into JO 1 and JO 2. Outsourcing is only involved in Stage III of the investigation work of seepage complaints handled by BD staff of JO. Both JO 1 and JO 2 have one Head of Professional Officer and 5 Professional Officers (PO),

and each office has 24 Building Safety Officer (BSO) monitored under POs. So, there is a total of 2 Head of Professional Officers, 10 POs and 48 BSOs in JO(BD). In the organization structure, BSOs are in highest daily contact with the staff of consultants in handling water seepage complaints. It is believed that they have good knowledge and valuable experience of the outsourcing arrangement. Therefore, they are invited to complete the questionnaire and express their opinions on the subject.

Higher number of responses can of course reflect a more representative result. In my own expectation, the sample size is set to be one third of the population meaning 16 responses. The estimated response rate is about 30%. In the century of information technology, it is more efficient and economical to distribute this questionnaire via email. One PO is invited to send the questionnaire to all BSOs.

The consultants awarded the contracts in 2009 is another target for the questionnaire survey. There are a total of 9 consultants involved in the handling of water seepage complaints. These consultants provide on-site investigation which is the frontline work of the operations. They should also have good knowledge and valuable experience in the outsourcing arrangement. So all levels of staff involved in handling of water seepage complaints are invited to complete the questionnaire to give their valuable opinions about the issue. Those staff may include contract managers, technical staff and investigation assistants of the consultants. As the number of staff involved in each consultant is unknown, 12 staff is assumed in each consultant¹. So there is a total of 108 staff. The sample size is set to be one third of the population. It means 36 responses are required. The estimated response rate is 27% to 33%. Questionnaires are distributed by email through the assistance of PO of JO. Concerning not every staff of consultants has personal computers, it is available for

¹ The number of staff in each consultant was justified by the interviewees of consultants in the study.

consultants to fill in the questionnaire in hard copy and call me to collect it in person.

Before the distribution of the two questionnaire surveys, consent from JO has been got for conducting the research. Afterwards, the questionnaire and my research proposal together with covering letters are sent to a Head PO of JO by email. The cover letters explaining the background of the study, scope of the study, method of conducting questionnaire stress the usefulness of the survey and promise confidentiality. Two weeks time is allowed for the respondents to send back the questionnaire. After the study is finished, thank-you letters are sent to all participants. Copies of the questionnaire results are sent to interested participants on request.

Questionnaire in this research is beneficial to gain sufficient data for analysis from the two parties involved in handling water seepage complaints. The result of the questionnaire survey can represent some view in the population. However, this cannot provide an in-depth study of the issue. Questions provided in the questionnaire can only be simple and easy as open-ended questions would not initiate respondents' interest to participate in the survey. Therefore, in order to fill in the gap of questionnaire surveys, interviews are also adopted in this study to understand more about the issue and collect information in detail.

1.4.3 Interviews

The purpose of interviews is to give a deeper understanding over the issue. Unlike the questionnaire, greater interaction is possible between the interviewer and the respondents during interview. So, follow-up questions can be raised immediately on particular areas of the study. In addition, relevant documents or useful examples can be obtained for reference. In this study, emails are sent to invite a Head of PO, a PO and 2 consultant representatives to share their invaluable experience about handling of water seepage complaints in Hong Kong. The questions for the interviews

are mainly based on the context of the 2 questionnaires. Interviewees are asked to give examples and explanations of their answers during interviews. After the study is finished, thank-you letters are also sent to these contributors.

After the data collection from the questionnaire surveys and interviews, all data and information are analyzed and discussed afterwards. Therefore, the hypothesis can be test. Improvement measures and recommendation can also be given accordingly towards the outsourcing arrangement of JO.

1.5 Introduction to chapters

Here gives the introduction to chapters of this study.

In chapter 1 – Introduction, the background of this study, aims, objectives, hypothesis and research methods of this study are introduced. Readers can understand what is going to be investigated and how the study is undertaken.

In chapter 2 – Literature Review on Outsourcing, views and opinion of scholars over outsourcing is discussed. They include the definition, motivation, benefits and risks of outsourcing. Management and impacts of outsourcing in public service would also be introduced and discussed.

In chapter 3 - Handling of Water Seepage Complaints in Hong Kong, the public concern about the water seepage in multi-story buildings in Hong Kong is introduced. Afterwards, the Government intervention of the water seepage problems and the control and enforcement by Joint Office in handling water seepage complaints is also introduced.

In chapter 4 - Outsourcing Handling of Water Seepage Complaints in Hong Kong, the roles and responsibilities of officers of the Joint Office and the private consultants in the operation of handling seepage complaints are discussed in detail.

In chapter 5 - Impact of Outsourcing noted by the Joint Office, results from the

questionnaire surveys and information collected from interviews are presented and discussed over the issue in the point of view of the Joint Office.

In chapter 6 - Impact of Outsourcing noted by the Consultants, results from the questionnaire surveys and information collected from interviews are also presented and discussed over the issue in the point of view of the consultants.

In chapter 7 – Conclusion, all findings of this study are summarized and then a conclusion is drawn accordingly. Most importantly, improvement measures and recommendation to the outsourcing arrangement of handling of water seepage complaints are suggested. In addition, limitations of this study and areas for further research are addressed in the final part of this chapter.

Chapter 2 - Literature Review on Outsourcing

Outsourcing is a common practice among both private and public organizations. Factories outsource part of their routine production to others. Property owners outsource the security and management of the building to property management firm. Even public services organizations would outsource part of their function or services to private sectors. Information technology is one of the common elements being outsourced by public sectors. Knowing outsourcing is commonly adopted by both private and public organizations, it must give benefits to the organizations for improving the products or services in terms of quantity or quality. However, literature has also pointed out the potential risk or even impacts of outsourcing towards the organization. Before looking into the pros and cons of outsourcing, outsourcing should be defined first for further illustration.

2.1 Definition of outsourcing

In the literature, definition of outsourcing has been given by numerous scholars. The following shows how the term “outsourcing” is defined in different literatures.

According to Quinn (1992) and Sharpe (1997), outsourcing is a form of predetermined external provision with another enterprise for the delivery of goods and services that could previously have been offered in-house.

Rajabzadeh, Rostamy and Hosseini (2008) defines outsourcing as the procurement of products or services from sources that are external to the organization.

In another literature, it defines that outsourcing denotes the shift that occurs when a business entity takes work traditionally performed internally and contracts with an external provider for the provision of that work (Economist Intelligence

Unit/Arthur Andersen[EIU/AA, 1995)

Gay and Essinger (2000) see outsourcing as a process of transferring service delivery management responsibility to a third party for providing services that are governed by service-level agreements.

Lei and Hitt (1995) define outsourcing as “reliance on external sources for manufacturing components and other value-adding activities”.

Perry (1997) focuses on employment, defining outsourcing as: “another firm’s employees carrying out tasks previously performed by one’s own employees”.

Sharpe (1997) defines outsourcing as turning over to a supplier those activities outside the organization’s chosen core competencies.

Among all those definitions, scholars may have different purposes or objectives when defining outsourcing. It is likely that those definitions are talking about the same things but have different descriptions. Harland, Knight, Lamming, and Walker, H. (2005) provide clarification for the definitional confusion which is supported by Gilley and Rasheed (2000). They positioning outsourcing as procuring something that was either originally sourced internally or could have been sourced internally notwithstanding the decision to go outside. This definition will be used for the term outsourcing in this research.

2.2 Motivation of outsourcing

Outsourcing is not only an operation difference to the organization, but also a decision driven by some advantages to the organization. In general, there are three major categories of motivations for outsourcing which are cost, strategy and politics. Cost and strategy are the common driver to outsourcing by private sector, while political agendas often drive public sector to consider outsourcing (Kremic, Tukel and Rom, 2006).

2.2.1 Cost-driven outsourcing

Outsourcing is identified as saving costs of the organization in much of the literature. In theory, outsourcing for cost reasons can occur when suppliers' costs are low enough that even with added overhead, profit, and transaction costs suppliers can still deliver a service for a lower price (Bers, 1992). So rather than performing the function in-house, specialization and economies of scale in the market are mechanisms used to achieve cost saving for the organization (Kakabadse and Kakabadse, 2000b).

However, cost saving is not always achieved. There is increasing evidence that cost savings have been overestimated and costs are sometimes higher after outsourcing. (Bryce and Useem, 1998; Cole-Gomolski, 1999)

Other than increase in cost, some additional indirect and social cost may be incurred by outsourcing (Cole-Gomolski, 1999; Kakabadse and Kakabadse, 2000b). The indirect cost may include contract monitoring and oversight, contract generation and procurement, intangibles, and transition cost. The social cost incurred may be difficult to quantify but they can be significant to result in lower morale, lower productivity or lower quality of services.

2.2.2 Strategy-driven outsourcing

More recently, organizations not only consider cost reduction when adopting outsourcing, but also treat outsourcing as strategic issues such as core competence and flexibility of the firms (DiRomualdo and Gurbaxani, 1998) In general, literature supports that outsourcing may offer improvement to business performance or services performance on numerous dimensions (Brandes *et al.*, 1997; Dekkers, 2000; McIvor, 2000). Allowing better focus on the organization's core competences is one of the main dimensions. Due to competition in the market, organizations tend to concentrate

and allocate resources to its core functions which give the greatest positive impact to the business. McIvor (2000) use Canon as an example to explain core competence. Canon's core competencies in optics, imaging and microprocessor controls have allowed it to be a significant player in markets as diverse as photocopiers, laser printers, cameras and image scanners. This shows that core competences are the skills, knowledge and technologies that an organization possesses on which its success depends.

Another main dimension for considering strategic outsourcing would be the flexibility to manage the demand swings (Kakabadse and Kakabadse, 2000b). The need for flexibility of the firms may be due to restructuring, rapid organizational growth or changing technology of the business. Therefore, outsourcing can lead the organization to be more flexible to the development scale of the firm and quicker reactions to customer requirements. This strategic decision also puts forward to reduce organization's risk by sharing it with suppliers and at the same time acquire the positive attributes of those suppliers (Kremic et al., 2006). While the organization is only an average performer by itself, incorporating the better performance from the suppliers results in higher quality of products or service as well as high reputation of the organization.

However, outsourcing for strategic reasons may lead to potential pitfalls to the organization. The outsourcing arrangement of IBW always appears in the literature being a frequent example of "wrong" outsourcing. It is critical that IBM outsourced the operating system to suppliers. Literature points out that if organizations outsource the wrong functions they may develop gaps in their learning or knowledge base which may preclude them from future opportunities (Earl, 1996; Prahalad and Hamel, 1990). So, when considering outsourcing, the test for the organizations core competences and the suitable functions to be outsourced becomes critical. In industries with complex

technologies and systems, outsourced some functions may lead to less productivity or efficiency among the remaining functions (Quinn and Hilmer, 1994).

2.2.3 Politically-driven outsourcing

It is apparent that public organizations behave differently than private firms and have different outsourcing motivators in their decision making. In general, accountability and performance of public services, rather than market demand or profitability, are more concerned by the public organizations. For example, general public and the government would concern more the level of health services provided by the government whether than the money generated by the services. While the private firms are money minded in performing a service, the public organizations attempts to ensure general well beings and the social perspective of the community (Kremic et al., 2006). Same as outsourcing, public organizations will desire for the general well being of citizens on top of cost and strategic reasons.

Because public organizations are sometimes perceived as inefficient and bureaucratic, outsourcing may be promoted to improve the situation in a political sense. Under this, the outsourcing drivers for public organizations can be the government laws and executive orders (Kakabadse and Kakabadse, 2000b).

As mentioned before, accountability is another reason for public organizations to promote outsourcing. Deakin and Walsh (1996) find that managers in public organizations generally realize an accountability improvement in the particular function being outsourced. However, it is not always the case. There is also a simultaneous decline in accountability to the public. The reasons behind is simple that the suppliers or service providers work to satisfy the government but would not keep the public interest primary.

2.3 Benefits of outsourcing

In the growth and adoption of outsourcing, both public and private organizations expect benefits from outsourcing. Kremic *et al.* (2006) summarized the expected benefits of outsourcing from the literature:

- cost savings
- reduced capital expenditures
- capital infusion
- transfer fixed costs to variable
- quality improvement
- increased speed
- greater flexibility
- access to latest technology/ infrastructure
- access to skills and talent
- augment staff
- increase focus on core functions
- get rid of problem functions
- reduce politic pressures or scrutiny
- legal compliance
- better accountability/ management

In general, the desirable benefits of outsourcing for public and private organizations are better focus on core competency, financial benefit, increase of flexibility and quality improvement. Outsourcing allows a firm to focus its activities on its core competency (Petrie, 2000). So the outsourcing firm focuses on broader business issues, or maintains a clearer strategic focus, while an outside expert assumes operational details. Petrie (2000) also states that outsourcing can deliver considerable

savings on several issues such as office space, general overhead, company cars, pensions, insurance and salaries. This shows that outsourcing can be financially beneficial to organization. Besides, in the real world, business conditions, demand for products, services as well as technologies meet changes all the time. Outsourcing gives a solution for the firms to improve flexibility by creating smaller and more flexible workforces (Greaver, 1999; Patterson and Pinch, 1995). The last important benefit is quality improvement. Kakabadse and Kakabadse (2001) reveals that a 1996 study by the Australian Industry Commission identified improvement in quality of service delivery through outsourcing of particular non-core activities and from the monitoring of service providers.

2.4 Potential risks of outsourcing

Uncertainty often appears in business, failure of outsourcing is always stated in the literature to warn us not to just think about the positive sides of outsourcing. The case of IBM which have mentioned before is one of the reminder. Kremic *et al.* (2006) also summarized the potential risk of outsourcing from the literature:

- unrealized savings or hidden costs
- less flexibility
- poor contract or poor selection of partner
- loss of knowledge/ skills and the difficulty in reacquiring a function
- loss of control/ core competence
- power shift to supplier/ service provider
- supplier problems (poor performance or bad relations, opportunistic behaviour, not giving access to best talent or technology)
- losing customers, opportunistic behaviour or reputation
- uncertainty/ changing environment

- poor morale/ employee issues
- loss of synergy
- create competitor
- conflict of interest
- security issues
- false sense of irresponsibility
- legal obstacles
- skill erosion

McIvor (2000) points out the evidence to suggest that organizations are not achieving the desired benefits from outsourcing. For example, a survey carried out by PA Consulting Group (1996) found that only 5 per cent of companies surveyed had achieved high levels of benefits from outsourcing. McIvor (2000) addresses the key problems leading to outsourcing failure. First, many organizations decide outsourcing for short-term reasons of cost reduction and capacity. Without the input of long-term strategic implications and the workforce reaction to outsourcing, outsourcing cannot effectively give a positive impact to the organization (Petrie, 2000; Antonucci *et al.*, 1998). Second, many organization have no formal outsourcing process, dependent on suppliers increases as a result. Third, core business definition is not easy for each organization, outsourcing a wrong function can affect the competitive advantage of the organization. Over-outsourcing is also a risk that draws high concern in the literature (Patterson and Pinch, 1995). It can easily lead to decrease in quality of services. Such implication is termed as “hollowing out” for private sectors and “hollow state” for government (Harland *et al.*, 2005). This is concluded as a cause by insufficient attention paid on the overall management of the outsourced functions.

2.5 Outsourcing Decision

Before adopting the outsourcing arrangement, the decision to outsource a function should be considered under certain factors. Strategy, cost functions characteristics and environment are the four categories of factors which may impact outsourcing decisions (Kremic et al., 2006).

In the category of strategy, core competence, human resources, quality of service and flexibility are the main factors to be considered. Core competence is what an organization uses to sustain a competitive advantage in the market. Organizations draw much attention to it as the core function is the activities that the firm performs better than any other enterprise (Quinn, 1999). Therefore, literature suggests a function that is more core to the organization is less likely to be outsourced. (Kakabadse and Kakabadse, 2000b; McIvor, 2000)

Lack of internal human resources is also a strategic factor that leads to outsourcing. Public organizations may be particularly impacted by this factor. As there may be strict guidelines on the number of civil servants that can be employed and employees continue to leave the public organization due to retiring and exiting. This results in increase in workload and decrease in knowledge and skills for those remaining. Under the situation, it is like that public organization will acquire the need skills from outside sources. (Green, 2000)

For public and private organizations, quality of services is always an issue to be considered and controlled. It is because the quality of an organization's services establishes reputation and can create demand. Such consideration should be more concerned by the public organization as they emphasis on the accountability of the services. So, outsourcing should primary be a seeking of better quality of services from the supplier than providing in house. Potential improvement of the work can be achieved by acquiring better performer of the services. (Anderson, 1997)

The last factor in the strategy category is flexibility. This includes demand flexibility, operational flexibility, resource flexibility, or the flexibility of a number of other strategic elements. According to the literature, organizations sometimes consider outsourcing in an effort to increase flexibility. It may be true for large bureaucratic organizations such as government may improve on their flexibility by outsourcing. However, loss of flexibility may be resulted when long contracts outsourced into a limited market (Antonucci *et al.*, 1998).

The next factor category is cost. It is likely that organization outsources a function as the current in-house costs are higher than the expected costs for purchasing the service (Welch and Nayak, 1992). However, cost savings to the organization may not be as high as the expected one as hidden cost appeared during outsourcing. Literature suggests that the comparison between the cost of make or buy can be difficult.

Function characteristics are the next factor category. These include complexity, degree of integration, asset specificity and structure of the function. Complexity refers to the difficulty of recognizing or understanding the variables and the interactions that surround a function. When the outsourced function is more complex, it is more difficult for a supplier to articulate the requirements. So the supplier is unlikely to perform such function as it is time consuming and cost ineffective.

Degree of integration of function influences the outsourcing decision as well. Integration refers to the degree the function is linked into other functions and systems within the organization. It is difficult to maintain high level of interactions and communication in heavily integrated function. This situation would be even worse when the function is outsourced. Therefore, such integrated function is not suggested to be outsourced (Prencipe, 1997).

The next function characteristic is asset specificity. This describes the case where

durable equipment or products are generated by the outsourcing arrangement and they have little value outside of that function. Outsourcing of function with high asset specificity is not attractive to the suppliers as they have little incentive to maintain or upgrade the durable items. In general, the greater the asset specificity the less likely outsources the function.

The last function characteristic is the structure of the function going to be outsourced. Structure relates to the degree the function follows a predictable pattern. Supplier can get familiar with the function faster if it is well structured. So, a more structured function is a better to be outsourced

The final category of factors relate to the internal and external environment faced by the organization. For the internal environment, preference of manager and internal political environment of the firm can influence the decision of outsourcing as these two factors give a direct impact to the operation of the outsourced function.

In considering externally, requirement of highly specialized skills, more legal hurdles, greater uncertainty of the work, potential conflict of interest of the supplier would likely to be obstacles for outsourcing. The only promoting factor in the external environment is the action of competitors. Willcocks and Currie (1997) reveals that many firms try outsourcing is because others are doing it. In general, a function is more likely to be outsourced if the organization's competitors are actively outsourcing it.

In particular to public organization, political pressures have undeniable influence to outsourcing of public functions. Unlike the private organizations, other than cost and profit, public organizations make the outsourcing decision based on the social concerns or current national or international trends. The influence can put forward outsourcing a function or pull back a function in-house.

2.6 Management in Public Service Outsourcing

In general, outsourcing management stands on the same basis for private or public organizations. As public service outsourcing is considered in this research, this section will discuss the management issues for public services in particular.

According to the Efficiency Unit (2008), several management issues are addressed as the support processes for the outsourcing project in government departments. These key issues include project management, change management, quality management, risk management, issues management, financial management and record management.

2.6.1 Project management

Departments should ensure that there are sufficient resources to support the whole process in outsourcing. Appointing a specific project team to handle the outsourcing process is a common way to achieve the issue. The team should have the core skills including the areas of sourcing of market knowledge, project management, technical and operational, problem-solving, change management, financial analysis and modeling as well as legal.

2.6.2 Change management

In the outsourcing of public service, many operational changes are involved in staff, organization structure, processes, skills and competencies, information technology systems, etc. It can lead to success of outsourcing if the department is able to implement and manage the operational changes. The relevant skills require to achieve such implementation are careful planning, teamwork, commitment, and involvement of stakeholders.

2.6.3 Quality management

Quality management is important to the life cycle of an outsourcing project as it is a continuous process from the start to the end of outsourcing. Quality is achieved when all deliverables are produced according to specifications and standards, meeting users' needs and expectations and in a manner that is perceived by the departments as successful.

2.6.4 Risk Management

Risk management is a continuous process to minimize the impact of unplanned incidents on the project or the department by first identifying and addressing potential risks and second reducing and mitigating the risks to an acceptable level. This can prevent negative consequences or impact occurs during the outsourcing process. Contingency plan may be essential for departments where there is a high level of outsourcing activities. Walker and Rowlinson (2008) support giving attention to risk management in outsourcing. They urge that a series of additional risk should be taken into account when considering the outsourcing of services. For example, successful outsourcing requires the organization to ensure that not only the deliverables meet the specifications, but also the relationships and contractual requirements are to be measured and maintained (Cooke-Davies, 2002).

2.6.5 Issues management

The primary objective of this is to establish a standard method to document and analyze the issues encountered, and formulate solutions. Such implementation can reduce outsourcing risks when issues are managed under structured and comprehensive procedures.

2.6.6 Financial management

Cost is always an issue in outsourcing. Departments should ensure that the outsourcing projects are in line with their own financial management strategy and practices. Apparently, financial management should be a continuous and regular process in order to achieve the financial objectives.

2.6.7 Record management

It is an integral part of outsourcing project to have a comprehensive record management. All records that created and received during the outsourcing project should be captured in the department's record keeping system. This systematic approach can provide evidence of business conducted and decisions made, manage legal and other risks, meet its accountability obligations, facilitate future reference and queries, and capture and share lessons learnt.

Other than the general guide to outsourcing, Efficiency Unit also published a user guide to contract management (Efficiency Unit, 2007) aims to provide accurate, practical and relevant guidance to civil servant contract managers or frontline supervisors on how to address commonly encountered challenges in contract preparation, management and monitoring for outsourcing projects.

In outsourcing of government services, usually, service provider or supplier is acting for or operating on behalf of the government in its dealing with third parties who are not likely the public. While the public looks for the government to deliver the service, the actual party to delivery the service is services provider. Therefore, great care needs to be exercised in negotiating and monitoring the service provider.

In order to maintain the service quality to the public, the guideline emphasizes on the performance management and relationship management during the term of the

outsourcing contract.

2.6.8 Performance management

Keeping the quality of service in outsourcing is a very important aspect in the contract management. Department will face the challenges of defining performance measures and monitoring the providers' performance during contract execution.

The guideline addresses some common poor practices in relation to performance management during contract preparation and execution (Efficiency Unit, 2007):

- Having too many irrelevant performance measures and reports, resulting in unnecessarily high administrative effort for both contractors and departments and a significantly long lead time in confirming service delivery and authorizing payment;
- Defining impractical measures, requiring unreasonably huge effort to measure and report performance, which can be expensive and complex in execution;
- Insufficient communication and exchange of views at the senior management level from both parties;
- Adopting adversarial monitoring approaches;
- Micromanagement of contractors resulting in unnecessary interference and government taking back risks that the contractor is being paid to bear.

In view of those poor practices, the guidelines suggest the department to define a reasonable and achievable service level agreement (SLA) and establish effective performance monitoring mechanisms. In the SLA, it aims to provide a clear basis for determining the acceptable level of the contractors' performance and hence payment approval. So, the performance measures defined in SLA should be practical, manageable and measuring service output rather than input. In addition, the

performance measures should support the objectives of the outsourcing projects, address key service requirements and be aligned with the performance pledge that departments have committed to their customers.

Setting up performance measures to contractors is only one of the methods in collecting performance data. Combination of several methods can construct a comprehensive performance monitoring mechanism to further ensure an objective assessment of providers' performance. Figure 1 below is a suggested mechanism giving in the guideline.

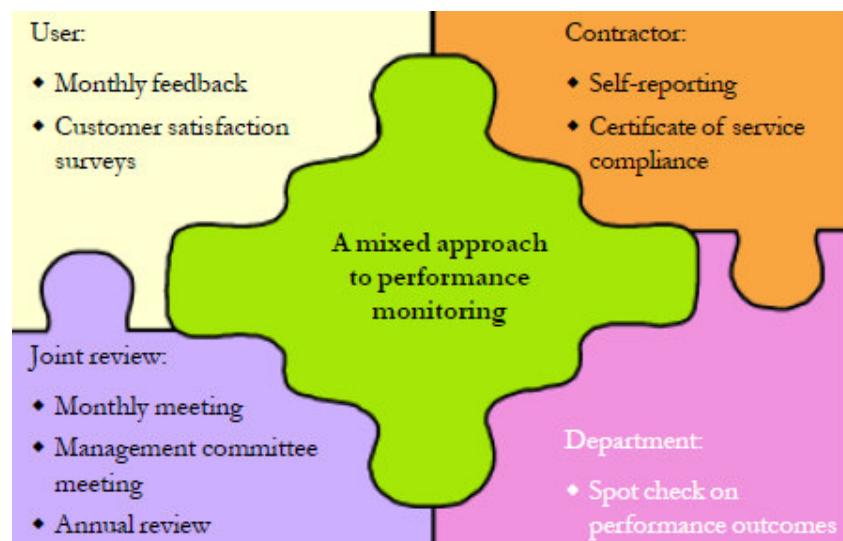


Figure 2.1 Performance Monitoring Mechanisms (Source: Efficiency Unit, 2007)

2.6.9 Relationship management

Establishing trust and commitment between contractual parties is highly concerned in outsourcing project. It is a key to successful outsourcing when department and the service providers act ethically and collaborate closely with each other. So, the guideline suggests departments to adopt a partnership mentality when managing provider relationship. To achieve partnering in outsourcing relationship, departments need to focus on:

- shared objectives

- best value for money
- a long-term relationship
- mutual trust/ cooperation
- measuring output performance
- mutually agreed requirements
- early integrated planning
- open joint communication

To maintain a good relationship between departments and contractors, the guideline addresses the following characteristics of having a multi-tier governance structure:

- Stakeholders are engaged at all levels from relevant parties with clear roles, responsibilities and counterparts identified
- A single contact point from both parties is available to ensure unity of responsibilities and consistency of information exchange
- Headquarters and district/local operations are suitably involved

Departments should also have associated management processes in place with the governance structure. The issues of the processes can be:

- Holding regular meetings with the steering group and senior management to steer strategic directions and address major issues
- Meeting regularly with service review groups or user groups to solicit feedback and understand the evolving operating environments
- Managing issues and risks
- Performing major contract reviews
- Invoking feedback and continuous improvement mechanisms

In addition to governance structure and management issue, building a culture of mutual trust and commitment is important. Cooperative and mutual understanding between both parties by open and frequent dialogue can contribute to each other's success. However, it is not easy to achieve in practice.

As building the relationship is essential and beneficial to both parties, the guideline suggests the following key elements in the relationship management:

- A shared vision and expectations
- Aligned interests and goals
- Consistency of actions
- Predictability of responses
- Mutual respect and understanding
- Proactive and intensive communications
- Encouragement and participation
- Sharing of risks and rewards

The guideline also addresses the following practical actions which may help establishing trusting relationships and collaborative culture:

- Notifying successful contractors well in advance
- Conducting kick-off meetings with contractors to facilitate the engagement process from the start of the transition planning stage and to get them familiar upfront with the way departments operate
- Conducting regular service delivery and contract meetings for ongoing review, providing feedback for continuous improvement, promoting open and clear communication, enhancing mutual understanding and resolving issues together
- Involving senior management from both parties periodically to maintain the

relationship and ensuring that it stays on track throughout the life of the contract

In the outsourcing arrangement, departments should always aim at continuous improvement to the outsourcing process. All of the above management processes or issues are a way assisting departments to achieve their objective and best practice in outsourcing. Of course, the ultimate goal of managing outsourcing of public services is to make a “win-win-win” situation for the government, contractors and users/customers.

2.7 Impact of Outsourcing in Delivering Public Services

Outsourcing impact has been addressed in the literature that organizations are not gaining benefits from outsourcing and results in having negative impact to the organizations (McIvor, 2000, Kakabadse and Kakabadse, 2001). In this section, the outsourcing implication in particular to public organization will be discussed.

Outsourcing of public service is found more cost effective but the public organization stand accused of providing diminishing quality of service (Kakabadse and Kakabadse, 2000a).

Kakabadse and Kakabadse (2001) use the survey of the Cranfield Study to illustrate the impact of outsourcing. The study reveals that public service managers regard the outsourced processes and activities as non-critical to the current and future functioning of the public organization. The study also shows that the senior managers in public service organizations confirm the view that service provision has not benefited from outsourcing. Those managers state that outsourcing has led to:

- loss of knowledge and skills in providing for particular services
- loss of technology and R&D capability

- less operational flexibility
- lower operational effectiveness
- poor use of in-house staff
- more demotivated staff
- greater numbers of staff reductions
- lost opportunities in terms of recognizing and dealing with organizational needs and with community needs

In addition to the above impacts of outsourcing, a diminishing quality of relationships between the public services organizations and their service providers is showed in that study. In particular, outsourcing is reported as leading to:

- the emergence of more adversarial relationships between the host organization and suppliers
- a decline in the quality of relationship between the host organization and its suppliers
- an emerging inflexibility in responding to the needs of communities and other key stakeholders
- greater disrespect between the partners

The study concluded that the relationship is becoming more distant between public service organizations and their outsource service providers. This is considered to have a damaging effect on the ability to meet agreed standards of service.

Kakabadse and Kakabadse (2001) addresses that public service managers feel that accountability to the public has been undermined by the disruption arising from what they regard as unnecessary outsourcing of non-critical processes and activities which nevertheless still have a significant effect on the functioning of the host

organization.

In March, 2008, the Office of the Ombudsman, Hong Kong has done a direct investigation report of handling of water seepage complaints in Hong Kong. Since mid-2006, the Joint Office (JO) set up by Buildings Department (BD) and Food and Environmental Hygiene Department (FEHD) is responsible to handle water seepage complaints in Hong Kong. The report aims to investigate the effectiveness of JO in handling seepage complaints. The results showed JO is encountering several deficiencies in the issue. The deficiency that draws my large concern is the management of consultants. JO has outsourced part of the work in handling the water seepage complaints to consultants. The report states some cases that the consultants are not satisfying the requirement of the work which influence the quality of service. The purpose of this research is to investigate the outsourcing management of JO to the consultants and find out if there is any outsourcing impacts observed in the work. The performance measurements, outsourcing outcomes and outsourcing relationships are three key areas to be investigated. This would be a valuable research as it can reveal the existing situation of the outsourcing management of JO so as to formulate corresponding recommendations to further operation of the work.

Chapter 3 - Handling of Water Seepage Complaints in Hong Kong

3.1 Water Seepage in Multi-story Building in Hong Kong

Water seepage in multi-story building is stated as a longstanding and complex problem for residents and the Hong Kong Government (Wong and Hui, 2005). It is basically a matter of building management which may cause a threat to hygiene and a deterioration of building safety. After 2003, the community outbreak of severe acute respiratory syndrome (SARS) in Hong Kong largely drew the public concern to building hygiene and safety. Wong and Hui (2005) address the investigation findings of the Government on 17 April 2003 referring to the possible sources of the outbreak.

The vertical spread of SARS in Block E was attributed to a combination of dried-up U-traps, contaminated sewerage, and updraft in the lightwell, that facilitated droplets spread.

This indicates that deficiencies in sewerage or drainage systems give potential risks to the occupiers of the building. In addition to sewerage and drainage systems, plumbing systems, roof, bathroom floor slab and external wall are also common elements where deficiencies were found especially for water seepage. Therefore, in case of any observed or identified water seepage problems, property owners should give immediate reaction and bear the responsibilities to arrange the maintenance works. For seepage cases in common areas of a multi-story building such as external wall, Owners' Corporation may act as the management body of the building to arrange renovation work of those defect areas. However, Government also has a statutory responsibility to intervene if seepage causes public health nuisance, building safety risks or water seepage wastage.

3.2 Government Responsibility

In handling water seepage in private property, property owners would first try to deal with the problems themselves. Despite maintenance of private property is the responsibility of property owners, sometimes it is difficult for owners to obtain cooperation between them. They will then turn to Government for assistance. By law, Government intervention is necessary if seepage leads to public health nuisance, building safety risks or wastage of water.

3.2.1 Public health Nuisance

Food and Environmental Hygiene Department (FEHD) deals with public health nuisances under the Public Health and Municipal Services Ordinance, Cap. 132 (PHMSO). Section 127 of PHMSO confers FEHD the power to issue notices requiring the abatement of nuisances and section 126 give the department the power of entry.

In section 12 of PHMSO, it specifies the types of nuisance to be abated. These include vessels or premises in a state of nuisance; animals or birds kept in such a manner as to be a nuisance; and water tanks or containers, waste or rainwater pipes, or sanitary convenience in a state of nuisance. However, other than the types of nuisance, there is no further definition to the amounts of nuisance.

3.2.2 Building safety risks

Buildings Department (BD) is the one to intervene when the building problems relate to the building safety risks. According to the Building Ordinance, Cap. 123 (BO), BD has the powers to issue orders to owners requiring the demolition or alteration of unauthorized building works(section 24); to make safe dangerous building (section 26); requiring investigation into and remedial work for building

defects (section 26A); requiring investigation into and remedial works for drainage defects (section 28).

However, these powers are more likely to be used when dealing with unauthorized building works. With the intention of the Ordinance to render building safety, these powers can only be exercised to tackle serious water seepage cases that highly affect building safety. Application of the ordinance towards common seepage cases is rare.

3.2.3 Wastage of water

Wastage of water can draw the Government intervention by Water Supplies Department (WSD). When considering wastage of water, both potable water or flushing water is involved. WSD is empowered under the Waterworks Ordinance, Cap. 102 (WO). WSD can issue notices requiring repairs in case of wastage of water under section 16 of WO and enter the premises under section 12.

In general, FEHD, BD and WSD deal with seepage complaints separately in according to their individual legal supporting ground. However, such arrangement in handling seepage complaints was claimed to be unsuccessful (Wong and Hui, 2005). The separation of power in handling the same problem in buildings initiated the drawbacks such as low success rates, underutilization of Government staff resources, ineffective use of tests and equipment, etc. To make improvement, Wong and Hui (2005) suggests a centralized task force should be formed to coordinate the three government departments so as to implement a one-stop service in handling the seepage complaints. In present, such centralized task force have already been set up which is now called the Joint Office (JO).

3.3 Joint Office (JO)

Since mid-2006, in order to have better interdepartmental coordination and better arrangement in handling seepage complaints, the Joint Office (JO) of BD and FEHD was set up aiming for improvement of the operation. The following will look into detail of the development of JO, organization of JO and the operation of handling seepage complaints.

3.3.1 Development of JO

Tripartite arrangement

As mentioned before, while JO was not yet set up, water seepage complaints were handled under the Tripartite Arrangement which consists of FEHD, BD and WSD. For any seepage complaints, FEHD acted as the first contact point and would usually conduct a Colour Water Test to identify any leaks in drainage pipes of the suspected premises. If the test fails to identify the source of seepage, FEHD would refer the matters of complaints to BD and WSD for further investigation.

When the case comes to BD, investigation officer would check for any building safety risks mainly by visual examination. For WSD, Water Meter Flow Check would be conducted in order to identify any wastage of potable or flushing water. If investigations of BD and WSD were still not successful, Government intervention of the seepage matter would cease.

However, the performance of this Tripartite Arrangement was poor in handling the matter. The direct investigation report done by Office of The Ombudsman (2008) revealed that the success rate of identifying the source of seepage in the Tripartite Arrangement was only about 14%. Therefore, in the “Report on Measures to Improve Environmental Hygiene in Hong Kong” issued in August 2003, the idea of setting up JO is proposed as one of the post-SARS initiatives. Of course, the main purpose is to

improve current arrangement through better interdepartmental coordination.

JO Scheme

In order to have a trial for the new system of operation, a pilot JO was firstly set up in Sham Shui Po in December 2004. Only the staff from BD and FEHD is involved in the pilot JO. Staff from WSD was not considered as they seldom play the role in seepage complaints. According to the report of Ombudsman (2008), JO provides a one-stop service for seepage complaints with the following assigned function.

- having the legal authority of FEHD and the building survey expertise of BD
- coordinating enforcement action
- outsourcing seepage investigation to private survey firms to relieve BD to focus on priority tasks
- publishing a set of comprehensive guidelines to educate the public on the roles and responsibilities of the parties involved in seepage cases, including flat owners and building managers; and to give technical advice to flat owners on the causes of seepage, possible detection and prevention measures and common repair methods

Not surprisingly, the pilot JO identified the source of seepage in 68% of the investigated complaints during the first three quarters of 2005. This increase success rate support Government to further extend the scheme. In mid-2006, the one-stop service of JO was extended to cover all 19 districts in the territory.

3.3.2 Organization of JO

It is difficult to organize all the seepage complaints by the pilot JO. So, additional JO offices were set up to facilitate the operation. In total, there are 19 District JO offices and they are grouped under two Regional JO offices.

The two Regional JO offices are called as JO 1 and JO 2. Normally, each Regional JO office is headed by Professional Officer of BD who may be a Building Surveyor or a Structural Engineer. JO 1 has three combined offices with BD and FEHD staff located in Eastern, Wan Chai and Kwun Tong. Each districts is looked after by at least one BD Professional Officer. Other than these three district, JO is responsible for the supervision of nine more District JOs which have separated offices in Central & Western, Southern, Wong Tai Sin, Island, Sai Kung, Sha Tin, Tai Po, North and Yuen Long. In these districts one BD Professional Officer has to look after more than one district.

For JO 2, the structure of staff is similar. It supervises seven District JOs which consist of three combined offices in Sham Shui Po, Kowloon City and Kwai Tsing, and four separated offices in Yau Tsim, Tuen Mun, Tsuen Wan, and Kwai Tsing. The detail organization chart of JO by region and district is shown in Appendix I.

3.3.3 Handling of Water Seepage Complaints

Investigation Procedures

One of the reasons for the unsuccessful implementation of the Tripartite Arrangement is due to the poor investigation methods and technology. Aiming for improvement, JO has played much effort to introduce additional investigation methods and more advance technology. In 2003, BD commissioned a consultancy study to carry out thorough research to explore technology and testing methods for the investigation of water seepage. A revised set of methods have been introduced and

developed since the commencement of the pilot JO scheme in Sham Shui Po. The table below shows the methods employed by JO to investigate different suspected sources of seepage. The description of the following tests is provided in Appendix II.

| Suspected Source of Seepage | Method / Test |
|------------------------------------|--|
| Drains and sanitary fitments | Colour Water Test |
| Floor slab and roof | Ponding Test |
| External wall | Moisture Content Monitoring Test and sometimes Infrared Scan |
| Water supply pipes | Reversible Pressure Test (for both potable and flushing water) and Water Meter Flow Check in suspected unit (for potable water only) |

Table 3.1 Investigation Method of Different Suspected Sources of Seepage.

The above tests are only the technical solution to the investigation. The procedure in handling the seepage investigation is also important. JO investigates seepage complaints in three stages. Stage I is a initial screening process by FEHD staff of JO. Stages II and III are the further investigation done by FEHD and BD staff respectively to identify the source of seepage

Stage I: Confirmation of Water Seepage Nuisance

Visual inspection and moisture measurement are included in the screening process of Stage I. A moisture meter is used for the moisture measurement of the seepage area. Percentage of moisture content would be showed by the moisture meter indicating the degree of water seepage. With an moisture content below 35% , the complaint is screened out as the seepage area is indicated as dry water mark according

to JO's screening criteria. For complaints with moisture content higher than 35%, they will be referred to Stage II for investigation.

Stage II: Initial Investigation

At Stage II, FEHD staff in JO will follow the work from Stage 1 and try to identify the source of seepage with Colour Water Test; Moisture Content Monitoring Test; Water Meter Flow Check and Reversible Pressure Test depending on the suspected source. Stage III will be initiated if such tests fail to identify the source.

Stage III: Professional Investigation

At Stage III, BD staff in JO or JO(BD)'s consultants mainly conduct Ponding Test and Reversible Pressure Test. Sometimes, the tests conducted in Stage II will be repeated where warranted because of confirmation testing of the source. Methods like Water Meter Flow Check and Infrared Scanner may sometimes be used.

If the source of seepage can still not be identified after three stages of investigation, no enforcement action can be taken by JO. That case will be classify as "unsuccessful". JO will further advice the complainant.

3.3.4 Enforcement Procedures

Enforcement procedure will follow up once positive result observed in the investigation of the seepage complaints. Therefore, where the source of seepage is identified and enforcement action under PHMSO , BO or WO is considered appropriate, JO will institute proceedings. The proceedings under PHMSO include a warning letter issued by JO to the liable party in first place. If there is no positive response from the liable party within two weeks and no sign of improvement of the seepage area, JO may than issue a nuisance notice. JO will allow two to four weeks for abatement depending on the scale of repair required.

If enforcement action under BO and WO is considered appropriate, the case will

be referred to BD and WSD respectively. BD and WSD will then perform the proceedings accordingly.

However, report of Ombudsman (2008) reveals that the three departments do not always agree on the appropriate enforcement action for some particular source of seepage. Except the enforcement action for drainage defects, different departments may have different views on enforcement over other defects such as floor slabs, roof, external wall or water supply pipes.

For the enforcement against multiple owners when seepage related to the communal part of a building, JO will not take enforcement action. Instead, JO will only advice the complainant to coordinate with co-owners or incorporated Owners of the building to abate the nuisance. The reason behind is that much effort and resources are required to ascertain responsibilities for carrying out repair and serving nuisance notices on all owners concerned while the complainant himself is one of the owner/occupier receiving the notice.

In the cases when the three departments have no legal powers to enforce against them, JO can only try to assist the complainant by issuing advisory letters to the parties responsible.

3.3.5 Entry into Premises

In the investigation process of seepage cases, entry into suspected premises is always the critical task faced by the staff. If there are unresponsive or uncooperative parties refusing to grant access, both FEHD and BD staff in JO are delegated with statutory powers of entry into premises under section 126 of PHMSO. Guidelines on exercising the powers are given to all staff of JO. JO(BD)'s consultants are not delegated with any statutory powers of entry. BD staff in JO should assist the entry if consultants face the access problem. In fact, consultants should initially fulfill the

following requirement:

- making at least two attempts at different hours of the day to gain access to the suspected premises within two weeks of the date of assignment of the Works Order.

3.3.6 Home Ownership Schemes and Tenant Purchase Schemes

For seepage complaints in Home Ownership Schemes and Tenant Purchase Schemes, JO handle them in the same way as those in private buildings. However, because BD Headquarters has delegated its powers under BO to an independent unit in the Housing Department in respect of these housing schemes, cases identified as involving building safety, major drainage defects or unauthorized building works, normally referred by JO to BD Headquarters for action, will be referred to the Housing Department instead.

3.3.7 Dispute resolution

If no enforcement action under the three ordinances is considered appropriate, seepage cases that cannot be resolved among property owners are civil disputes. Some complainants choose to initiate legal proceedings, which can be expensive and time consuming.

In light of public demand for a more efficient and effective dispute settlement mechanism for building maintenance and management issues, including water seepage, Government has put forward a proposal to establish a Building Affairs Tribunal (BAT) in its document on the “Public Consultation on Building Management and Maintenance” released in January 2005.

The purpose of BAT is to provide with an alternative channel to settle disputes in relation to such matters as water seepage, environmental nuisance, collection and use

of management funds, etc. However, some concerns show the negative implication on human right and judicial system. Government undertook to continue to study the feasibility of the BAT proposal in the report on “Public Consultation on Mandatory Building Inspection” released in May 2007.

3.3.8 Public concern to JO

Although improvement of handling seepage matters is observed after the introduction of JO, Ombudsman (2008) stated that complaints about the issue continue even after the establishment of JO. Most of those complaints addressed the problems in JO’s operation and procedures. The situation indicates a need for improvement.

On 31 March 2008, The Ombudsman published the report of the direct investigation into Government’s arrangements for handling water seepage complaints aiming to assist the operation of JO. This report covers the following issues:

- the responsibilities of FEHD, BD, WSD and JO in handling water seepage complaints
- the current procedures and practices of these departments and JO for handling such complaints
- their effectiveness in handling such complaints

Based on the study of The Ombudsman, the following deficiencies of JO were identified:

- difficulty in identifying source of seepage
- insufficient operational timelines in the investigation procedure
- difficulty in entering premises suspected to be “source”
- disagreement over departmental enforcement responsibilities

- divergent interpretation of “nuisance”
- failure to enforce against multiple owners
- deficiency in JO’s management information for enforcement
- disjointed organizational structure of JO
- need for a formal head, as opposed to a nominal lead department
- frequent turnover of JO staff
- Ineffective management and monitoring of consultants
- Short duration of consultant contracts

To my study in outsourcing, the last two deficiencies identified by Ombudsman attract most of my attention. In the next part, the outsourcing arrangement in JO and the deficiencies discovered by Ombudsman will be discussed in more detail.

Chapter 4 - Outsourcing Handling of Water Seepage Complaints in Hong Kong

In the investigation procedure, outsourcing is implemented in Stage III. JO(BD), BD staff of JO, outsources the investigation work in Stage III to consultants. The main duty of consultants is to identify the source of seepage for the the complainants.

4.1 Management of Consultants

Consultants play an important role in JO's investigative work. Since June 2005, JO(BD) has awarded 19 term contracts of not more than 12 months' duration to eight consultants: one contract in 2005, nine to five consultants in 2006, and a further nine to five consultants in 2007. In 2009, JO(BD) has awarded 19 term contracts to nine consultants. During the contract period, JO(BD) may issue Works Orders to the consultant; Works Orders not yet completed upon contract expiry will continue up to the completion of the orders.

In the contract awarded by JO(BD), there is no provision for renewal. All contracts are re-tendered upon expiry. Each consultant may be awarded a maximum of two contracts in each tender exercise. According to the report of Ombudsman (2008), the contracts contain the following provisions to supervise the consultants:

- the consultants shall submitted a technical report for each Works Order within six weeks or as instructed by JO(BD)
- the consultants shall submit progress reports every other week
- the consultants shall attend regular bi-weekly progress report meetings chaired by the two Heads of JO

In case that the performance of a consultant is unsatisfactory, JO(BD) has in place the following mechanism:

- JO(BD) can issue a warning letter to the consultant drawing attention to the identified shortcomings and calling for remedial actions and improved performance
- In case of no improvement, JO(BD) can recommend an adverse report for sanction of the consultant under BD's Consultants' Performance Reporting System. The Consultants Review Committee of BD Headquarters may decide to terminate the contract if necessary
- Under the Consultants' Performance Reporting System, the BD Consultant Review Committee of BD Headquarters to review consultants' performance reports on a quarterly basis. A consultant who is given two consecutive adverse reports will be suspended from bidding for new contracts.

As reported by Ombudsman, between June 2005 and November 2007, JO(BD) has issued 57 warning letters and six adverse reports to its eight consultants employed under the 19 contracts. No consultants have been suspended from tendering for future contracts or has the contract terminated on account of unsatisfactory performance.

In light of the unsatisfactory performance of consultants, JO(BD) has been exploring ways to strengthen its management of consultants. JO(BD) have been revised and tightened the contract terms so as to give the consultants a better understanding of what is required of them in respect of administration of tests and entry into premises. In addition, JO(BD) also intends to introduce the following measures:

- to set timeline for the major deliverables in future contracts

- to require consultants to submit a standardized report for monitoring
- to require consultants to submit a standardized record of contacts/ visits to premises
- to standardize the format of warning letters to draw consultants attention clearly to their unsatisfactory performance

4.2 Problems in Consultant Management

According to the above management of consultants in JO, Ombudsman (2008) identified two main deficiencies of the consultant management. One is the ineffective management and monitoring of consultants and the other one is short duration of consultant contract.

4.2.1 Ineffective Management and Monitoring of Consultants

As the office employing the consultants, JO(BD) must manage them effectively. However, despite its monitoring effort, the results achieved by some consultants are not satisfactory. Ombudsman (2008) has two case studies to illustrate the deficiencies.

In one of the cases, despite the contractual requirement to submit the technical report within six weeks and the many verbal and written reminders issued by JO(BD), Consultant A took four months to submit its initial report, 13 months to submit its revised report and 18 months to submit its second revised report. Despite the bi-weekly progress meetings, there were five months of total inaction by Consultant A. Meanwhile, JO(BD) failed to give any deadline in its warning letter to Consultant A.

Another case was even more inconceivable, while JO(BD) and Consultant B were holding bi-weekly meetings to review the progress of individual cases, Consultant B tried to contact the complainant for five months after JO(BD) had closed the case.

4.2.2 Short Duration of Consultant Contracts

One of the causes of the poor performance of some consultants could be the short duration of their contracts (maximum 12 months). It is true that the short duration has the advantage of giving JO greater flexibility in revising contract conditions and in getting rid of non-performing consultants. On the other hand, the short duration often means that by the time the consultant and his staff have gained sufficient knowledge and experience in the work, the contract is coming to an end. Moreover, it is relatively difficult for the consultants to recruit and retain good staff under short contracts without certainly of continuation or renewal.

With a better understanding of the whole outsourcing arrangement of JO in handling of water seepage complaints and gaining the knowledge of outsourcing in the literature review, the impacts to performance measurements, outsourcing outcomes and outsourcing relationships in the outsourcing arrangement noted by JO and consultants will be examined in detail in the next 2 chapters.

Chapter 5 - Impact of Outsourcing noted by the Joint Office

In the previous chapters, the basic theory of outsourcing and the current outsourcing arrangement in handling water seepage complaints in Hong Kong are already discussed. The consistent point between the literature review and the outsourcing in JO is that deficiencies or impact is observed in the arrangement. This study aims to find out the underlying impact of outsourcing management in the service of handling of water seepage complaints provided by JO. To collect more data for the study, questionnaire surveys and interviews for JO and the consultants are the follow-up action to explore the current outsourcing management of JO. In this chapter, the perspective of JO is first presented. A questionnaire survey to the Building Safety Office (BSO) and 2 interviews to the Professional Officer (PO) are conducted to investigate the impact in the outsourcing management noted by JO.

5.1 Data Collection

The data collection is divided into the questionnaire survey² and the interviews³.

5.1.1 Questionnaire Survey

The survey study of Kakabadse and Kakabadse (2001) states that outsourcing in the public organization is not providing goodwill to the organization. Rather, negative impacts occur when public service is outsourced to outside providers. Those negative impacts mainly put towards to the outsourcing outcome and outsourcing relationship. Management of outsourcing contract is not an easy task for public organizations,

² See *Appendix V* - Questionnaire to the Joint Office

³ See *Appendix VII* - Interview Questions to the Professional Officers

especially at post-contract stage. In the post-contract stage, performance measurements and contractual relationships are the critical task in outsourcing contract. To investigate the impact in the outsourcing management of JO, the performance measurements, outsourcing outcomes and outsourcing relationships are the three main aspects put in the questionnaire to ask the BSOs.

5.1.2 Questionnaire Design

Performance measurements

Despite the case study from Ombudsman (2008) shows a low quality of service of some consultants, this cannot conclude that the consultants are performing badly in providing the service. JO should keep in the position in controlling the quality of service. To control the consultants, BSOs have daily contact with the consultants monitoring the progress and performance of each case. In the performance measurement process, impacts such as additional workload to BSOs, poor relationship between the consultants and complaints may be observed. Therefore, the performance requirements from JO, operation performances of JO and the consultants, and reports performances of the consultants are included in this part to examine the view of BSOs.

The table below shows the possible impacts found in those three areas.

| <u>Performance Measurement</u> | <u>Possible impacts</u> |
|---------------------------------------|--|
| <i>Performance requirements</i> | <ul style="list-style-type: none"> - Performance requirements of the operation are mutually agreed between JO and consultants. - Performance requirements for different JO officers towards consultants are consistent. - Performance requirements for JO towards different consultants are consistent. |

| | |
|-------------------------------|---|
| <i>Operation performances</i> | <ul style="list-style-type: none"> - Consultants' response to cases' matters is efficient. - JO officers' response to consultants' request is efficient. - Consultants maintain a positive relationship with the complainants - JO officers maintain a positive relationship with the complainants - Change of the personnel of consultants affects the operation performance. - Change of the personnel of JO officers affects the operation performance. - Consultants are performing their professionalism in the operation |
| <i>Reports performances</i> | <ul style="list-style-type: none"> - There are too many report materials within one case - Quality of report submitted by consultants is always acceptable - Requirement for amendments in a report by consultants is seldom. - Requirement for resubmission of a report by the consultants is seldom. - Requirement for retest of IWSC by consultants is seldom. |
| <i>Other performances</i> | <ul style="list-style-type: none"> - Sanctions against the performance of consultants are adequate. |

Table 5.1 Possible impact in performance measurement

Outsourcing outcomes

Outsourcing outcomes are another aspect for investigation. For any outsourcing contract, the outsourcing party should have some anticipated benefit to be achieved by outsourcing. However, the study of Kakabadse and Kakabadse (2001) claim that the service provision of the public organization has not benefited from outsourcing. Therefore, if the anticipated benefits of JO are not achieved, there will be no means for continuing the outsourcing practice in the operation. Despite the anticipated outsourcing outcomes of JO are not know at the time of setting the questionnaire, the general outsourcing outcomes are included in the table to investigate the views of the BSOs.

| Possible outcomes |
|---|
| <ul style="list-style-type: none"> - Cost reduction or cost increase - Improvement to service quality or reduction to service quality - Operational flexibility or operational inflexibility - Operational effectiveness or operational ineffectiveness - Effective use of JO officers or ineffective use of JO officers - Motivated staff or demotivated staff |

Table 5.2 Possible outcomes of outsourcing handling seepage complaints.

Outsourcing relationships

Contractual relationship is always an important aspect in the management of any contracts. It is also true to outsourcing. It is believed that better relationship between the outsourcing organization and service providers can enhance performance of both parties. Adversarial relationship and disrespect between parties in outsourcing of public service is observed in the survey study of Kakabadse and Kakabadse (2001). In light of the deficiencies of JO addressed by Ombudsman, poor relationship between the JO and the consultants may be the hidden reasons for JO to manage and monitor the consultants ineffectively. So, this study also investigates the relationship between JO and consultants. This part focuses on whether JO and consultants share the same objectives and clear responsibility and have an acceptable relationship. The following items are given in the questionnaire to investigation the outsourcing relationship between the two parties

| Outsourcing Relationship |
|---|
| <ul style="list-style-type: none"> - JO and consultants shared the same objective in the operation - The responsibility between JO officers and consultants are clear. - Co-operative or adversarial - Open / transparent or closed / on a need-to-know basis - Partnership building or strictly contractual - Improving or Declining - Flexible to emerging needs or inflexible to emerging needs - Respectful or disrespectful - Involved or distant |

Table 5.3 Possible outsourcing relationship between BSO and consultants

The questionnaire to BSO is divided into three parts with performance measurements, outsourcing outcomes and outsourcing relationships. For the performance measurements, 16 statements in total are used to investigate the impacts related to the performance requirements from JO, operation performances of JO and the consultants, and reports performances of consultants. All statements are categorized to their own area and arranged in one matrix. The likelihood of these impacts is measured by the intensity of respondents' opinions using the Likert scale. In the matrix, each statement is presented in a format like "multiple choice". Respondents are asked to pick one of the five alternatives that indicate the extent to which they agree with the statement. Response options are 'Strongly Agree', 'Agree', 'Undecided', 'Disagree' and 'Strongly Disagree'. It should be noted that choosing "Undecided" means respondents 'both agree and disagree' or 'neither agree nor disagree' with that statements.

For outsourcing outcomes, 6 pairs of outcomes are arranged in a matrix with the positive outcomes on the left opposing the negative outcomes on the right according to their own pairs. The likelihood of the outcomes is also measured by the intensity of respondents' opinion using the Likert scale. In this matrix, respondents are asked to

pick one number from 1-7 that indicates the degree of agreement to the outcomes on the left or on the right.

The method used for outsourcing relationships is the same as those used in the two above parts. The 2 statements are arranged in the multiple choice format same as the statements in performance measurement. Another matrix of 7 pairs of outsourcing relationships is constructed in the same format as the part of outsourcing outcomes. The measure method of the two matrixes is also the same as the corresponding one explained above.

Besides, those three aspects of study in the questionnaire, questions are also set to collect numerical data on the monthly number of cases handle by the respondents, monthly number of district involved in the cases, monthly number of cases handled by the respondents was outsourced to consultants and the number of consultants involved in the respondents' outsourced cases. Respondents are allowed to answer in ranges, so it is easier for not trying to state the exact figure. In addition, respondents are asked if there are improvements or suggestion to the outsourcing arrangement of JO at the final part of the questionnaire.

5.1.3 Responses to Questionnaire Survey

In this questionnaire, 48 BSOs were invited for participation through email. There were 18 respondents in the survey which is about 38% of the population size.

5.1.4 Survey findings

After finishing the questionnaire survey, answers of each respondent are recorded for measurement. For the matrix with statements, values of 1 to 5 are assigned to the 5 response options. The higher scores represent more positive attitudes towards the statements while the lower scores are vice versa. The mean score from all

respondents for each statement then indicates the respondents' degree of agreement or disagreement with that statement. For example, the scores of 18 respondents on one statement are calculated to find mean score of that statement. If the mean score is 2.2, this indicates that the likelihood of the respondents is 'Agree' for that statement. The table below shows the score and the range of mean score for the corresponding option.

| Response Options | Score | Range of Mean Score |
|-------------------|-------|---------------------|
| Strongly Agree | 1 | 1-1.7 |
| Agree | 2 | 1.8-2.5 |
| Undecided | 3 | 2.6-3.4 |
| Disagree | 4 | 3.4-4.2 |
| Strongly Disagree | 5 | 4.3-5 |

Table 5.4 The score and range of mean score of each response options

For the matrix of opposing pairs, including in the parts of outsourcing outcomes and outsourcing relationships, values of 1 to 7 represent the respondents' degree of agreement to the items on the left or on the right. The lower scores indicate the more positive aspects of the outcomes or the relationships while the higher scores are vice versa. Similar to the calculation in the matrix for statements, the mean score from all respondents for each pair of items then indicates the respondents' degree of agreement with that item. The findings of the questionnaire survey and the 2 interviews are summarized and discussed in the following parts.

Performance measurements

I. Performance requirements

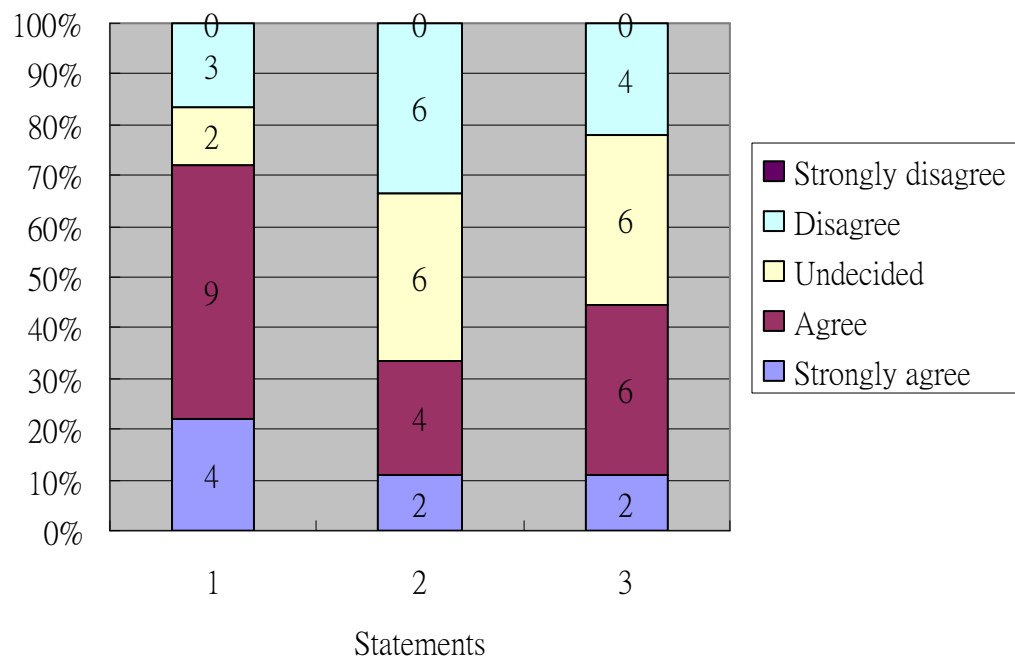


Figure 5.1 Results of questionnaire statements about performance requirements

| Statements | Mean Score | Standard deviation |
|--|---------------------|--------------------|
| 1. Performance requirements of Investigation of Water Seepage Complaints (IWSC) were mutually agreed between JO and consultants. | 2.22 (Agree) | 1.00 |
| 2. Performance requirements for different JO officers towards consultants are consistent. | 2.89 (Undecided) | 1.02 |
| 3. Performance requirements for JO towards different consultants are consistent. | 2.67 (Undecided) | 0.97 |

Table 5.5 Findings of the questionnaire statements about performance requirements

For statement 1, the questionnaire survey showed that more than half of the respondents agreed to it and this statement reached the mean score of 'Agree'. This is

likely to be a statement agreed by BSOs. At the time the consultants submitting tenders for the outsourced work, they should know the performance requirements for the whole operation. So after the consultants are awarded with contracts, all BSOs should understand that both the JO and the consultants are acting under the terms of the outsourcing contract and the performance requirements should be mutually agreed between them.

For statement 2 and 3, their mean scores reached the 'Undecided' level. One third of the respondents chose 'Undecided' for these two statements. So it cannot be ascertained that there are impacts in these two areas in the outsourcing arrangement. It is believed that performance requirements of different JO officers are generally consistent. However, personal differences in judgment between BSOs are something that cannot be avoided. For example, some BSOs may be even very straight to the minor amendments of the report while some may not. This may explain why the result is at the 'Undecided' level. For the requirements towards different consultants, BSOs mostly handle cases from two consultants. They actually do not know the performance requirements towards the consultants who are out of their monitoring. So, it seems that BSOs cannot be certain for this statement. In the interviews, it is found that performance requirements to different consultants are the same in their contracts.

II. Operation performances

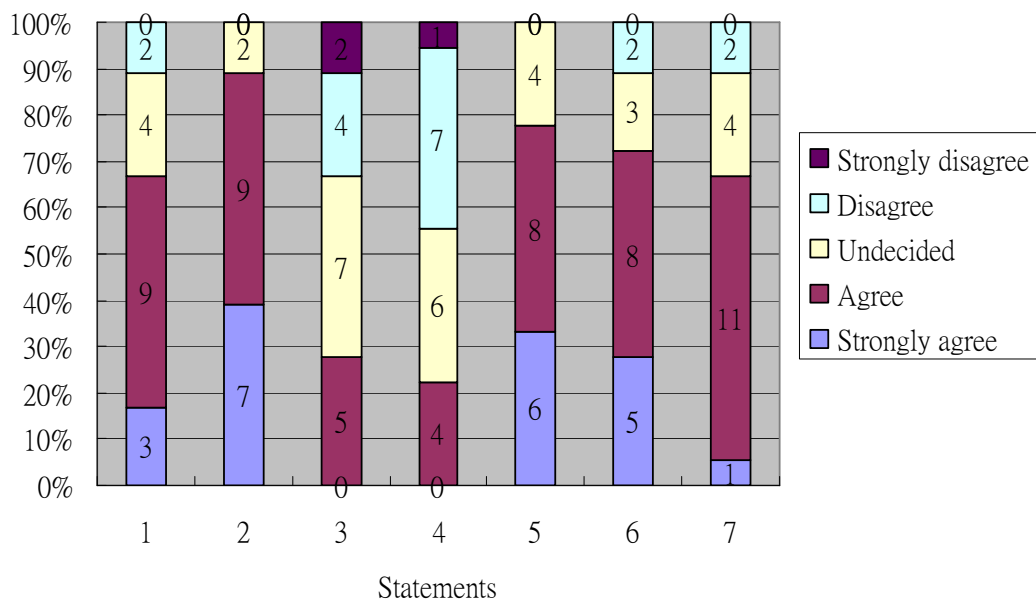


Figure 5.2 Results of questionnaire statements about operation performances

| Statements | Mean Score | Standard deviation |
|--|--------------------------|--------------------|
| 1. Consultants' response to cases' matters is efficient. | 2.28 (Agree) | 0.89 |
| 2. JO officers' response to consultants' request is efficient. | 1.72 (Strongly agree) | 0.67 |
| 3. Consultants maintain a positive relationship with the complainants | 3.17 (Undecided) | 0.99 |
| 4. JO officers maintain a positive relationship with the complainants | 3.28 (Undecided) | 0.89 |
| 5. Change of the personnel of consultants affects the operation performance. | 1.89 (Agree) | 0.76 |

| | | |
|--|-----------------|------|
| 6. Change of the personnel of JO officers affects the operation performance. | 2.11 (Agree) | 0.96 |
| 7. Consultants are performing their professionalism in IWSC. | 2.39 (Agree) | 0.78 |

Table 5.6 Findings of the questionnaire statements about performance requirements

Most of the respondents agreed or strongly agreed to statement 1 and 2 which reached mean score levels at 'Agree' and 'Strongly agree' respectively. So, the BSOs agreed that both the consultants and they are efficient in handling the cases' matters.

For statement 3 and 4, the mean score located at the 'Undecided' level which indicated that the relationships for BSOs or the consultants with complaints are varied for different cases. The bar chart showed that there are respondents answering 'Agree' or 'Disagree' to the statements.

For statement 5 and 6, BSOs agree that change of the personnel in either consultants or JO officers would affect the operation performances. When even there is change of the personnel in either of the parties, cases of the original staff have to be transferred to another staff. So, the new staff for those cases has to start over again in reviewing the cases and communicating with the other parties. More time is then consumed. This may cause an impact in delay of handling seepage complaints. However, change of personnel is not frequent in JO so the impact will not be great.

For statement 7, more than half of the respondents agreed it. BSOs agreed that the consultants are performing their professionalism in the inspection work.

III. Report performances

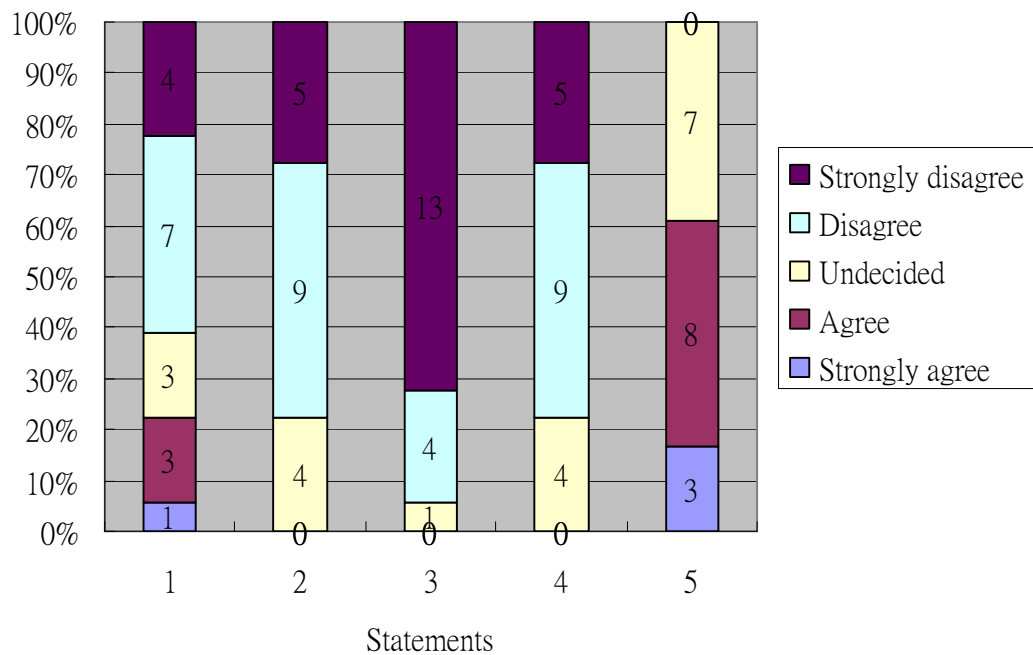


Figure 5.3 Results of questionnaire statements about report performances

| Statements | Mean Score | Standard deviation |
|---|-----------------------------|--------------------|
| 1. There are too many report materials within one case of IWSC | 3.56 (Disagree) | 1.20 |
| 2. Quality of report submitted by consultants is always acceptable | 4.06 (Disagree) | 0.73 |
| 3. Requirement for amendments in a report by consultants is seldom. | 4.67 (Strongly disagree) | 0.59 |
| 4. Requirement for resubmission of a report by the consultants is seldom. | 4.06 (Disagree) | 0.73 |
| 5. Requirement for retest of IWSC by consultants is seldom. | 2.22 | 0.73 |

| | | |
|--|---------|--|
| | (Agree) | |
|--|---------|--|

Table 5.7 Findings of the questionnaire statements about report performances

For statement 1, it reached the mean score of 'Disagree'. It is believed that the report materials of the seepage cases should not be too brief. It is because the reports can be the evidence in court showing the seepage causes or source of seepage in the particular cases. Therefore, the reports should be comprehensive and show a professional study of the seepage case.

For statement 2 to 4, respondents showed their disagreement to the statement. It reveals that quality of reports submitted by the consultants is always unacceptable. Amendments or even resubmission are always required for the reports of the consultants. This indicates that reports submitted by the consultants seldom reach the required level. This would give impact to the outsourced work. Amendments and resubmission can cause much delay to endorse the report by JO. As a result, it cause delay in giving the result to complainants.

For statement 5, the mean score reached the 'Agree' level, so there are seldom retests for the consultants' work. This indicates that the inspection work conducted by the consultants are general acceptable, but the performance of the consultants' reporting skills has a room for improvement.

IV. Other performances measurements

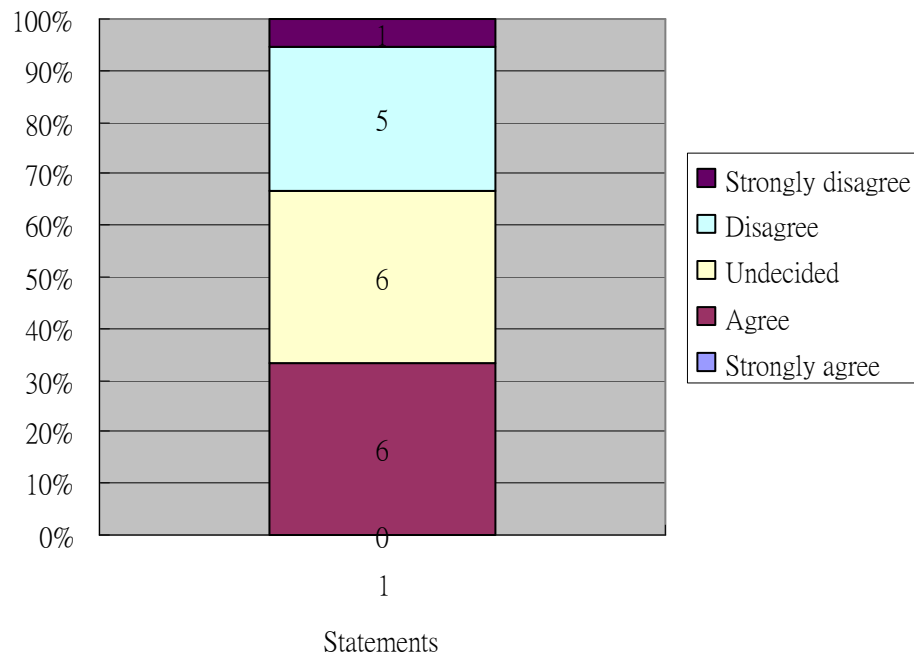


Figure 5.4 Results of questionnaire statements about other performances

| Statements | Mean Score | Standard deviation |
|---|---------------------|--------------------|
| 1. Sanctions against the performance of consultants are adequate. | 3.06 (Undecided) | 0.94 |

Table 5.8 Findings of the questionnaire statements about other performances

The mean score reached 'Undecided' of this statement. Respondents are neither agree nor disagree to whether sanctions against the performance of the consultants are adequate. However, one third of the respondents agree this while another one third of the respondents disagree this. This shows that the degree of sanctions against the consultants has room for discussion but this can not be decided if there are any impact towards the outsourcing management of JO.

Outsourcing outcomes

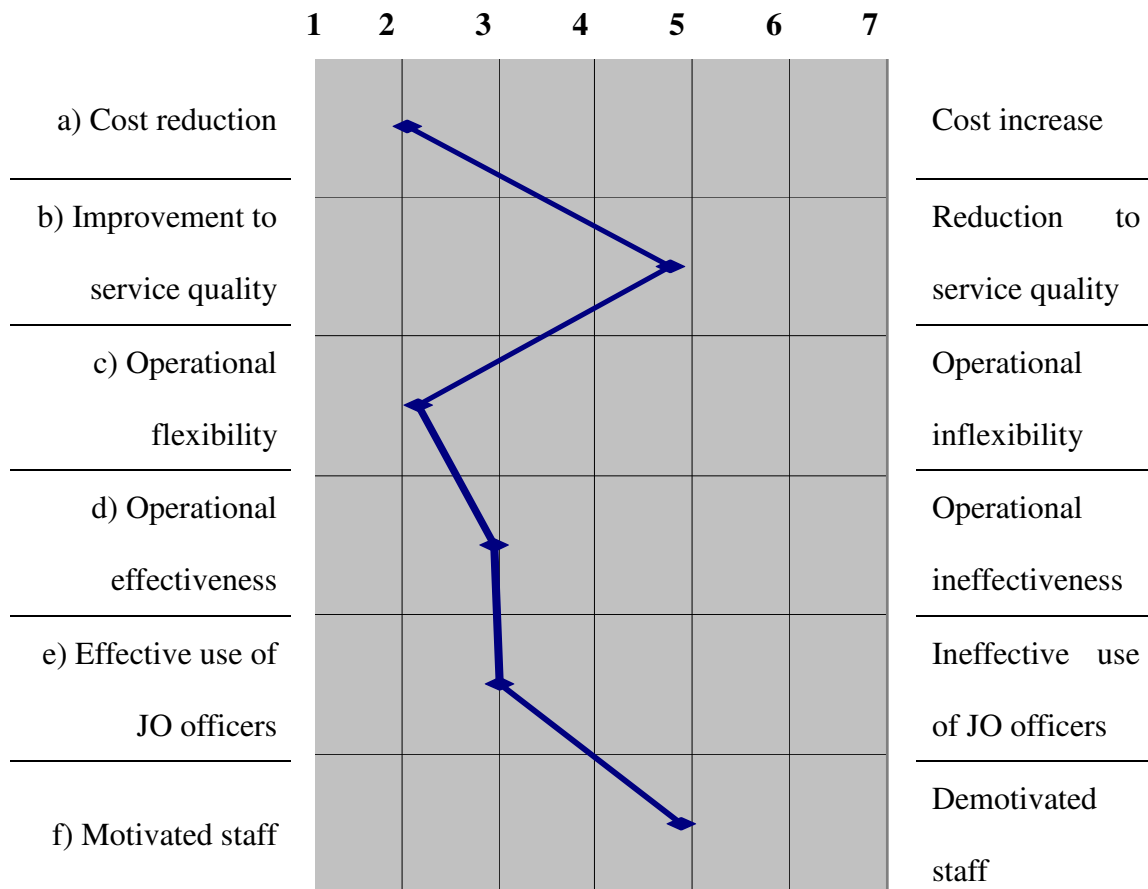


Table 5.9 Findings of the questionnaire about outsourcing outcomes

Out of the six outsourcing outcomes, the overall view of all respondents is summarized in the table above. The table shows that outsourcing of handling water seepage complaints can achieve cost reduction, operational flexibility, operational effectiveness and effective use of JO officers. However, the result shows that the outsourcing arrangement actually cause reduction or no improvement to service quality and demotivated staff. These two impacts will be further explained in the interview section of this chapter.

Outsourcing relationships

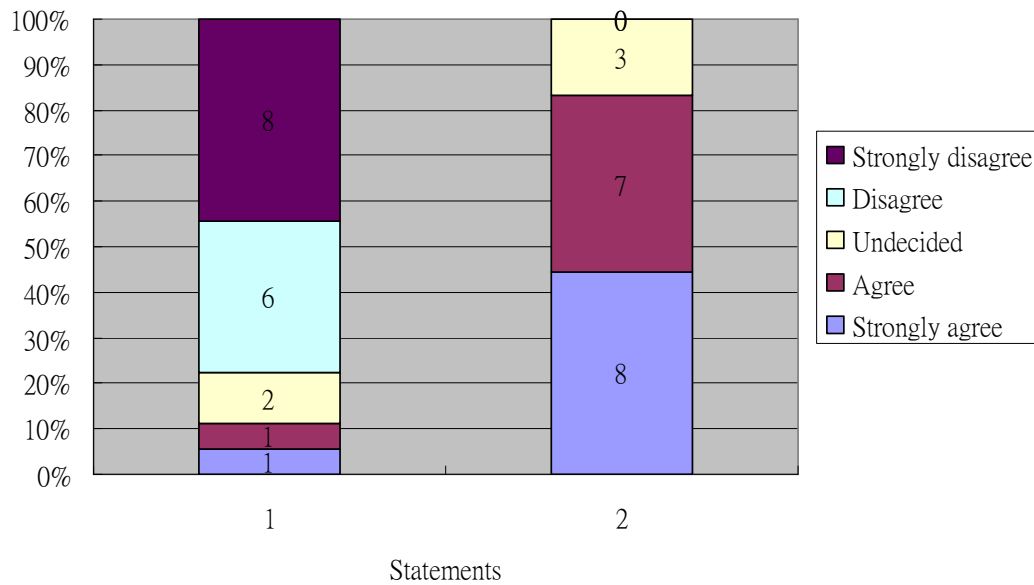


Figure 5.5 Results of questionnaire statements about outsourcing relationships

| Statements | Mean Score | Standard deviation |
|--|--------------------------|--------------------|
| 1. JO and consultants shared the same objective in IWSC. | 4.06 (Disagree) | 1.16 |
| 2. The responsibility between JO officers and consultants are clear. | 1.72 (Strongly agree) | 0.75 |

Table 5.10 Findings of the questionnaire statements about outsourcing relationships

For statement 1, 14 out of 18 respondents chose ‘Disagree’ or ‘Strongly disagree’. Also, the mean score reached the ‘Disagree’ level. This indicates that BSOs thinks that JO and the consultants are not sharing the same objectives in handling seepage complaints. This is believed to be true. The consultants are actually the private sectors who are money minded while JO is concerning the community needs.

For statement 2, BSOs show ‘Strongly agree’ as the mean score level. This reveals that the responsibility between JO and the consultants are actually clear.

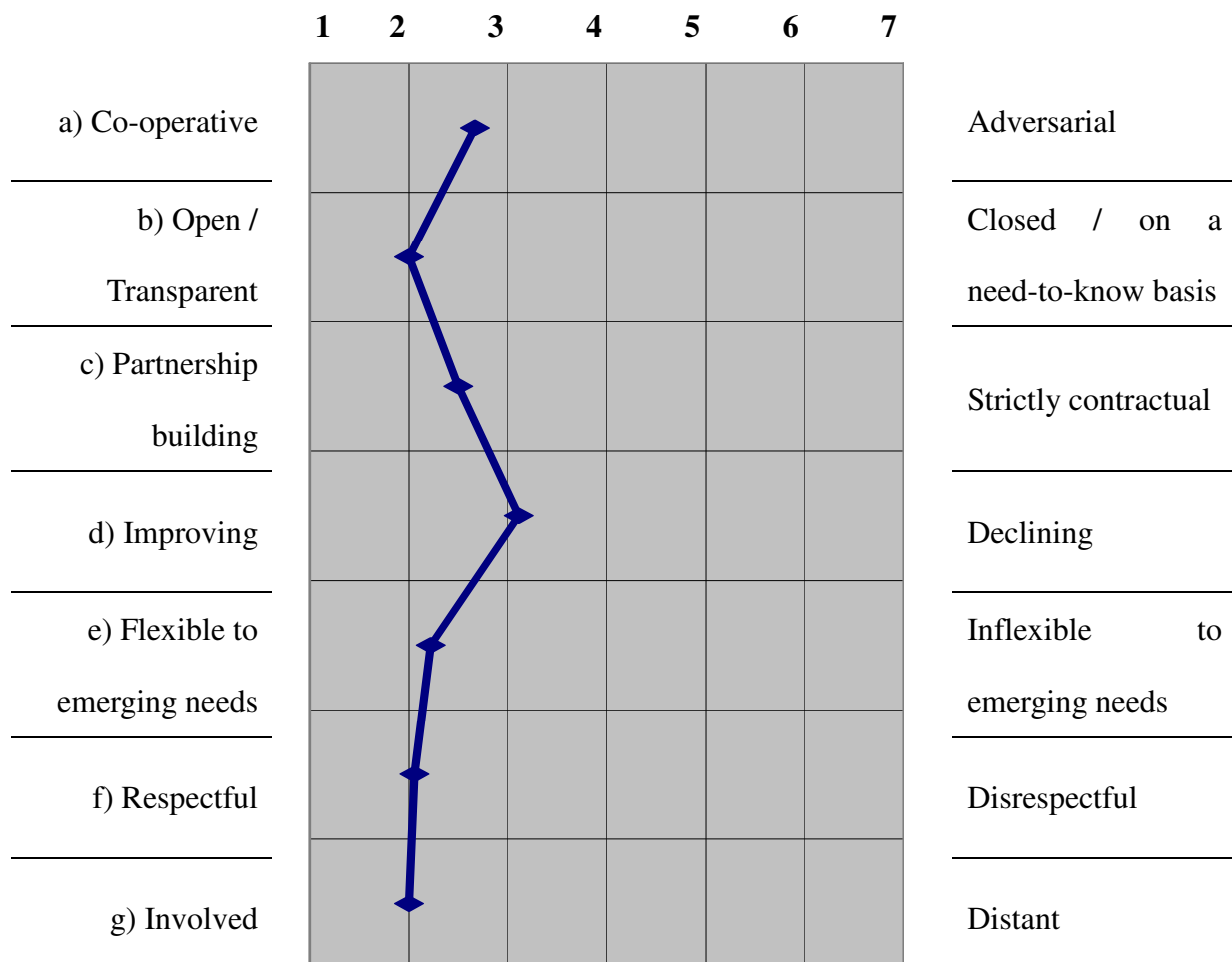


Table 5.11 Findings of the questionnaire about outsourcing relationships

The table above shows the result of all respondents towards their relationships with the consultants. In general, the result stands at to the left side of the table which indicates that BSOs are achieving an acceptable relationship with the consultants. BSOs agreed that the relationship between consultants and them are co-operative, open, partnership building, improving, flexible to emerging needs, respectful and involved. However, item d score the highest score in the survey. This may mean that outsourcing relationships between the consultants and JO are not quite improving at

the moment of the study.

5.1.5 Interviews

For deeper understanding, interviews are another important method for the study. At the time the questionnaire survey was in process, Mr. Albert Wong and Ms. Ruby Tang were invited to have an individual interview about the impacts in the outsourcing management of JO in handling water seepage complaints. Mr. Wong is the Head of Professional Officer of JO 1 and Ms. Tang is the Professional Officer of JO 1. During the interview, questions about the three aspects, performance measurements, outsourcing outcomes and outsourcing relationships, are the main focuses. Both of them gave valuable experience and opinions which are extremely useful for this study.

Performance measurement

In respect to performance measurement, JO is actually improving from the start of JO in 2006 until now. For the outsourcing contract in 2006 and 2007, no timeline was set in the terms of the contract to control when should the consultants to start investigation, when should the test be done and when the report should submitted. However, timelines are set in the contract of 2008 and 2009. For example, consultants should finish the first inspection in 2 weeks times and report should be submitted within 6 weeks after all tests are completed.

In order to monitor the performance of consultants, there are two mechanisms. First, PO would conduct bi-weekly progress meeting with the consultants, progress of case, unsatisfactory performance and problem encountered by consultants would be discussed in the meeting. Second, three-month interim appraisal report will be prepared by PO to give a holistic view of the performance of the consultants but not

side tracking on small issue. PO will comment on the progress, technical knowledge, desk study, relationship with complainants and UC, awareness of Government policy and procedure, responsibility, timelines of report, standard of reports, submit accounts (payment) of the consultants. There will grading over the work of consultants which is very good, good, satisfactory, acceptable, poor and very poor. For the consultants who have very poor performance in the outsourced work or have not improved in progress, PO may issue warning letter to give warning signal to the consultants. If such letter does not work, further warning letter may be then given the Head of PO and there will be an interview for the particular consultants understanding why they perform so badly. Obviously, no consultants want to receive adversary letter or warning letter since these will affect their assessment for tendering further outsourcing contract in JO.

Despite the mechanisms of monitoring the performance of consultants, interviewee pointed out that there are still deficiencies in the following areas where it is difficult to be control by JO:

- Internal management of consultants

While JO keeps looking at the progress of the consultants, the internal management of consultants cannot be controlled by JO. Interviewees revealed that sometimes it is difficult to ask for relevant information for cases handled by consultants. Some consultants would employ somebody sitting at the office and receive call from JO. So, this guy may not be any technical staff of the consultants or even have no knowledge about water seepage issue. The result is that JO cannot get the information of cases directly from the consultants. Even worse, some staff of consultants seldom receives calls from JO.

Another problem will arise when consultants are awarded with the outsourcing contract of handling water seepage complaints for two successive years. Within

the contract term of one year, JO issues Work Orders to consultants by week. The quota of cases issued to consultants would be limited by the capped amount of payment in the contract. In general, \$3 million is capped for each contract. So, until the end of the contract, there will be no more new cases issued to the consultants but it is obviously that numerous cases are still outstanding for inspection or preparing reports. Normally, it lasts for 1 and a half year to finish all the cases for one contract. However, when consultants have contracts for two successive years, when the cases of the previous contract have not come to an end, new Work Orders are issued for the new contract. This may cause large amount of cases cumulated in the particular consultants. Consultants may not be able to manage such large amount of workload and cases. Poor performance may be as a result.

Another matter related to contract is that different consultants have different mechanisms in weighting the payment. Some consultants have higher weighting for tests conducted while some have higher weighting for reports submitted. This will cause different incentive to consultants in handling the cases. For the former one, consultants will pay attention to conducting tests to investigate the source of seepage. However, the latter one will try to earn more 'report money' and perform less care about the source of seepage, the investigation method or the reports contents. Therefore, it is likely to result in poor performances of consultants. Amendment to reports, resubmission of reports or even audit check is then required to ensure the quality of the cases. This also gives a reason why there are always amendments in the consultants' reports causing additional workload to JO staff.

- Communication with complaints

It is always the case that complaints are too hurry in knowing the result of the investigation. They may keep calling the consultants or BSO to find out the progress of their complaints. In the pledge⁴ of JO, complaints should have received a letter stating that JO will complete the investigation and inform the complainant of the outcome within 90 working days. Of course, BSO will try to find the consultants to understand the progress or the situation of the cases. However, this come back to the difficulty in finding the consultants which is mentioned above about the internal management of consultants. Sometimes, consultants may be active in replying the complaints since there are too many cases. They will try to prolong the time by not giving reply.

- Communication and assess problems to undercomplainants (UC)

Interviewees revealed that for any seepage complaints handled by JO, they should not be easy cases. Before the seepage complaints, it is likely that the complainants have already discussed about the seepage issue with the undercomplainants (UC). Undercomplainant is the owner of the premises where is suspected to be the source of seepage. Therefore, seepage complaints will come to JO until they cannot make a deal for the seepage issue. At the moment of the complaints, it is obvious that the complainants and the UC are not in good relationship. When JO or JO's consultants steps in to handle the matter, it is common that adversary relationship occurs between UC and JO/consultants. This most likely leads to the assess problem to the suspected premises of UC for conducting investigation and testing. There have been cases that UC rejects any inspection staff to enter the

⁴ See *Appendix XI* – Notices to Owners, this letter will be issued to complainants by post after the call for water seepage complaints.

premises. Although JO can apply for warrant to enter the premises, the consequence would be delay for process of whole case.

- Sudden increase in number of cases

Interviewees pointed out that cases may increase sharply for raining season or when there is news about JO in handling water seepage complaints. With the staff of JO or staff consultants are limited in handling seepage complaints, sudden increase of cases will cause decrease in human resources in handling the seepage complaints. Delay causing to each cases may then be resulted in those periods. Complainants may then complaints about the delay of work. However, JO has no power to control the number of cases handled by it.

Despite the deficiencies, both interviewees agreed that the quality of service of consultants generally reaches the acceptable standard. Moreover, they can observe that consultants are improving their quality of work.

Outsourcing outcomes

Before discussing the impacts in outsourcing outcomes, we should first understand the reasons for JO to outsource the inspection works. The main reason is that there is not enough staff for in-house operation. Rather than employing more in-house staff, JO implements outsourcing which greater flexibility to the investigation work. For handling the seepage complaints in-house, human resources are actually not enough to handle the number of cases existing now. One of the interviewee gave the rough number of cases in each year starting from the set up of JO.

| Year | No. of cases |
|-------------------|--------------|
| 2006 (July-Dec) | 3000 |
| 2007 (Whole year) | 17500 |
| 2008 (Whole year) | 21700 |

Table 5.12 The rough number of seepage cases in JO from 2006-2008

The table shows that there are about 4000 cases more in 2008 than in 2007. This indicates a roughly 24% increase of seepage cases from 2007 to 2008. So, outsourcing the inspection work can let JO to be more flexible in total number of staff in handling the increase number of seepage complaints. JO would only have to concern the in-house management staff in monitoring the outsourcing contracts. Besides, inspection officers always face the problem of appointed the complainants and UC for investigation since most of them have to work at normal working hours (9am-6pm). The working time of the consultants is much flexible than JO staff as the consultants are not bounded by the government employment contract. For example, consultants can even have investigation at 11pm. Without the control under the government policy towards their employee, the consultants are claimed to be more flexible in working hours, financial resources, number of staff, location of office and administration work. It is not impossible for achieving the flexibility in-house, but the costs are predicted to be much higher than outsourcing.

From the view of both interviewees, they agreed that the expected outcomes of outsourcing the inspection works are basically achieved. Outsourcing can give JO human resources to handle the large number of seepage complaints in Hong Kong. In addition, consultants are not only more available in time to appoint the complainants and UC for investigation, but also flexible in locating at place near to the seepage cases they are handling. Consultants can set their office at the location near to the district and handle the seepage complaints at that districts. For instance, one consultant is located at Yuen Long to handle the cases over there while the staff of JO

in monitoring that consultant is actually located at Chai Wan.

In responding to the result from the questionnaire about outsourcing outcomes, it is difficult to tell that outsourcing is the only reasons causing the impacts of reduction in service quality and demotivated staff. Interviewees revealed that although the consultants may not perform well in the inspection work, there are many other uncontrollable factors to the service quality such as the access problem to the suspected premises, the misunderstanding between complainants and the consultants, etc. Neither JO nor consultants can solve such uncontrollable factors to the operation.

For the outcome of demotivated staff, interviewees pointed out that JO staff is demotivated by the handling of water seepage complaints rather than the outsourcing arrangement itself. It is because even outsourcing is implemented, the capped amount in the outsourcing contract is not enough cover all seepage cases. For the extra cases, BSOs are the only human resources to handle the seepage complaints. On one hand, BSOs have to monitoring the work of the consultants. On the other hand, they also have cases to be handled by them. The administration work of outsourcing arrangement and the inspection work of seepage cases together give a large workload to each BSOs. It is believed that JO is facing the problem of lack of financial and human resources.

Outsourcing relationships

Both interviewees revealed that JO and consultants are not sharing the same objective in handling seepage complaints. It is obvious that JO aims at abating the nuisance for public while consultants are money-minded. However, this does not affect their relationship, interviewees agreed the relationship between JO and consultant is cooperative. It is common to see adversary communication between consultants and JO on particular items when JO has to control the quality of work, but

this does not affect the actual relationships between them.

Other issues

In terms of the outsourcing management, interviewees pointed out that there is room of improvement for JO and also the consultants. However, when considering the quality of service provided by JO or the consultants, it cannot be denied that many uncontrollable problems related to complainants or UC are affecting the overall performance of the operation. Therefore, both interviewees emphasized the role of JO is to assist the public to abate the nuisance where the action is enforced under the Public Health and Municipal Services Ordinance. JO is not aiming to identify the source of seepage in each case. So, JO is only the third party that public can ask for when they really cannot solve the problem of water seepage by themselves. There is a misunderstanding in the public that JO can help them to solve the seepage problems. Once the complainants find that the result of the work is not the same as their expectation, they argued that JO is not performing well. This may be related to the civil education on the view of the public.

Chapter 6 – Impact of Outsourcing noted by the Consultants

After knowing the findings from JO, the perspective now changes to the consultants' point of view. Consultants, acting as the service providers of JO, are the other party who can greatly influence the quality of service or the overall outsourcing arrangement. Understanding the perspective of the consultants can give a more holistic view over the impact of outsourcing in JO. A questionnaire survey to all staff of the consultants and 2 interviews to consultant representatives were conducted to investigate the issue noted by consultants.

6.1 Data Collection

The data collection is divided into the questionnaire survey⁵ and the interviews⁶.

6.1.1 Questionnaire Survey

The questionnaire to the consultants is very similar to the one to the JO. It also focuses on those three aspects which are the performance measurements, outsourcing outcomes and outsourcing relationships.

6.1.2 Questionnaire Design

The differences between the questionnaires to JO and to consultants are that those statements or items cannot be answered by consultants are deleted from the questionnaire and the subject of some statements is changed to consultants. The table below shows the 15 possible impacts in the aspects of performance measurement.

⁵ See *Appendix VIII* - Questionnaire to the Consultants

⁶ See *Appendix X* - Interview Questions to the Consultants

| <u>Performance Measurement</u> | <u>Possible impacts</u> |
|---------------------------------------|---|
| <i>Performance requirements</i> | <ul style="list-style-type: none"> - Performance requirements of the operation are mutually agreed between JO and consultants. - Performance requirements for different JO officers towards consultants are consistent. |
| <i>Operation performances</i> | <ul style="list-style-type: none"> - Consultants' response to cases' matters is efficient. - JO officers' response to consultants' request is efficient. - Consultants maintain a positive relationship with the complainants - JO officers maintain a positive relationship with the complainants - Change of the personnel of consultants affects the operation performance. - Change of the personnel of JO officers affects the operation performance. - Consultants are performing their professionalism in the operation |
| <i>Reports performances</i> | <ul style="list-style-type: none"> - There are too many report materials within one case - Quality of report submitted by consultants is always acceptable - Requirement for amendments in a report by consultants is seldom. - Requirement for resubmission of a report by the consultants is seldom. - Requirement for retest of IWSC by consultants is seldom. |
| <i>Other performances</i> | <ul style="list-style-type: none"> - Sanctions against the performance of consultants are adequate. |

Table 6.1 Possible impact in performance measurement

For the part of outsourcing outcomes and outsourcing relationships, they are almost the same as the questionnaire for JO except one difference. The pair of 'Cost reduction' and 'Cost increase', 'Effective use of JO officers' and 'Ineffective use of JO officers', 'Motivated staff' and 'Demotivated staff' and 'Open / Transparent' and 'Closed / on a need to know basis' are excluded from the questionnaire since consultants are not the outsourcing parties of the contract. The table below shows the items included in the questionnaire of these two parts.

| Possible outcomes |
|--|
| <ul style="list-style-type: none"> - Improvement to service quality or reduction to service quality - Operational flexibility or operational inflexibility - Operational effectiveness or operational ineffectiveness |

Table 6.2 Possible outcomes of outsourcing handling seepage complaints.

| Outsourcing Relationship |
|---|
| <ul style="list-style-type: none"> - JO and consultants shared the same objective in the operation - The responsibility between JO officers and consultants are clear. - Co-operative or adversarial - Partnership building or strictly contractual - Improving or Declining - Flexible to emerging needs or inflexible to emerging needs - Respectful or disrespectful - Involved or distant |

Table 6.3 Possible outsourcing relationship between BSO and consultants

With the similar questionnaire, same methods are adopted to design the questionnaire. The methods are referred to Section 5.1.1. Also, consultants are asked about the numerical data on the monthly number of cases handled by respondents and the number of district involved in respondents' cases.

6.1.3 Responses to Questionnaire Survey

In this questionnaire, 9 consultants were invited for participation through email. It is assumed that a population size of 108 staff is invited for the questionnaire. 23 responses were received which were accounted for 21% of the population size.

6.1.4 Survey findings

The results of this questionnaire survey are analyzed in the same way as the

previous one. For the matrix with statements, values of 1 to 5 are assigned to the 5 response options. The higher scores represent more positive attitudes towards the statements while the lower scores are vice versa. The mean score from all respondents for each statement then indicates the respondents' degree of agreement or disagreement with that statement. For example, the scores of 23 respondents on one statement are calculated to find mean score of that statement. If the mean score is 2.2, this indicates that the likelihood of the respondents is 'Agree' for that statement. The table below shows the score and the range of mean score for the corresponding option.

| Response Options | Score | Range of Mean Score |
|-------------------|-------|---------------------|
| Strongly Agree | 1 | 1-1.7 |
| Agree | 2 | 1.8-2.5 |
| Undecided | 3 | 2.6-3.4 |
| Disagree | 4 | 3.4-4.2 |
| Strongly Disagree | 5 | 4.3-5 |

Table 6.4 The score and range of mean score of each response options

For the matrix of opposing pairs, including in the parts of outsourcing outcomes and outsourcing relationships, values of 1 to 7 represent the respondents' degree of agreement to the items on the left or on the right. The lower scores indicate the more positive aspects of the outcomes or the relationships while the higher scores are vice versa. Similar to the calculation in the matrix for statements, the mean score from all respondents for each pair of items then indicates the respondents' degree of agreement with that item. The findings of the questionnaire survey and the 2 interviews are summarized and discussed in the following parts.

Performance measurements

I. Performance requirements

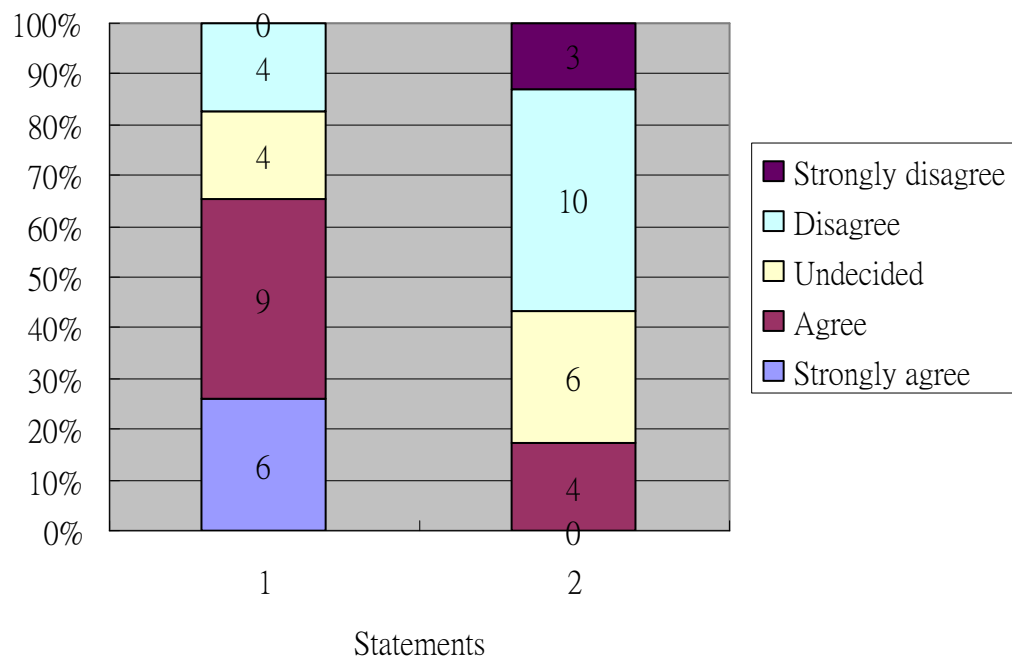


Figure 6.1 Results of questionnaire statements about performance requirements

| Statements | Mean Score | Standard deviation |
|---|-----------------|--------------------|
| 1. Performance requirements of IWSC were mutually agreed between consultants and JO. | 2.26 (Agree) | 1.05 |
| 2. Performance requirements for different JO officers towards consultants are consistent. | 2.39 (Agree) | 1.03 |

Table 6.5 Findings of the questionnaire statements about performance requirements

For statement 1, the questionnaire survey showed that more than half of the respondents agreed to it and this statement reached the mean score of 'Agree'. This is likely to be agreed by consultants because consultants are performing under the specification of the contract which is signed after the award of the contract.

For statement 2, their mean scores reached the ‘Agree’ level. It meant that performance requirements from different officers of JO are actually consistent. In general, the BSOs who monitor the consultants always keep the same. Also, the BSOs responsible for each consultants generally are led by the some PO. So it is likely that the performance requirements for each consultant are consistent.

II. Operation performances

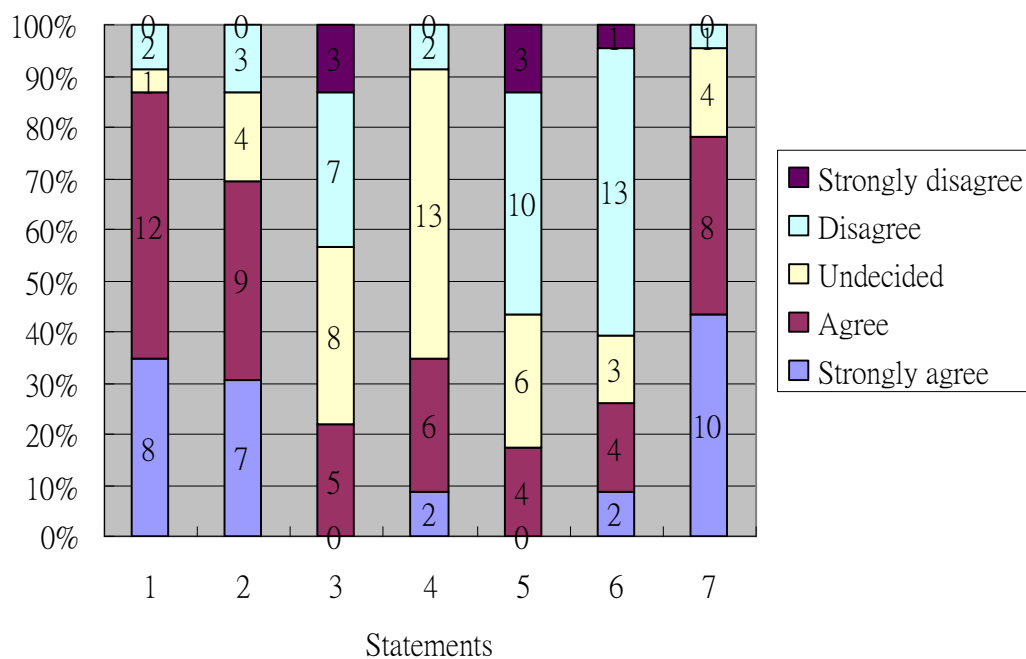


Figure 6.2 Results of questionnaire statements about operation performances

| Statements | Mean Score | Standard deviation |
|--|-----------------|--------------------|
| 1. Consultant's response to cases' matters is efficient. | 1.87 (Agree) | 0.87 |
| 2. JO officers' response to consultants' request is efficient. | 2.13 (Agree) | 1.01 |

| | | |
|--|---------------------|------|
| 3. Consultant maintains a positive relationship with the complainants | 3.35 (Undecided) | 0.98 |
| 4. JO officers maintain a positive relationship with the complainants | 2.65 (Undecided) | 0.78 |
| 5. Change of the personnel of consultants affects the operation performance. | 3.52 (Disagree) | 0.95 |
| 6. Change of the personnel of JO officers affects the operation performance. | 3.3 (Undecided) | 1.11 |
| 7. Consultants are performing their professionalism in IWSC. | 1.83 (Agree) | 0.90 |

Table 6.6 Findings of the questionnaire statements about performance requirements

Most of the respondents agreed or strongly agreed to statement 1 and 2 which reached mean score levels at 'Agree' and 'Strongly agree' respectively. So, the consultants agreed that both JO and they are efficient in handling the cases' matters.

For statement 3 and 4, the mean score located at the 'Undecided' level which indicated that the relationships for consultants or JO with complaints are varied for different cases. The bar chart showed that there are respondents answering 'Agree' or 'Disagree' to the statements and most of them chose 'Undecided'.

For statement 5 and 6, consultants disagreed that change of the personnel in consultants would affect the operation performances while they showed 'Undecided' for change of personnel in JO. Whether the change of personnel would affect the operation of cases really depends on the management style of the consultants. Good internal management of consultants should be capable to encounter the effect efficiently. It is believed that change of personnel in JO would not give much effect to the

operation of consultants as the contact point between consultants and JO would most likely focus at the PO.

For statement 7, more than half of the respondents agreed it. Consultants agreed that they are performing their professionalism in the inspection work. It is believed to be agreed by consultants because if consultants are not professional in the work, JO should not outsource the work to them.

III. Report performances

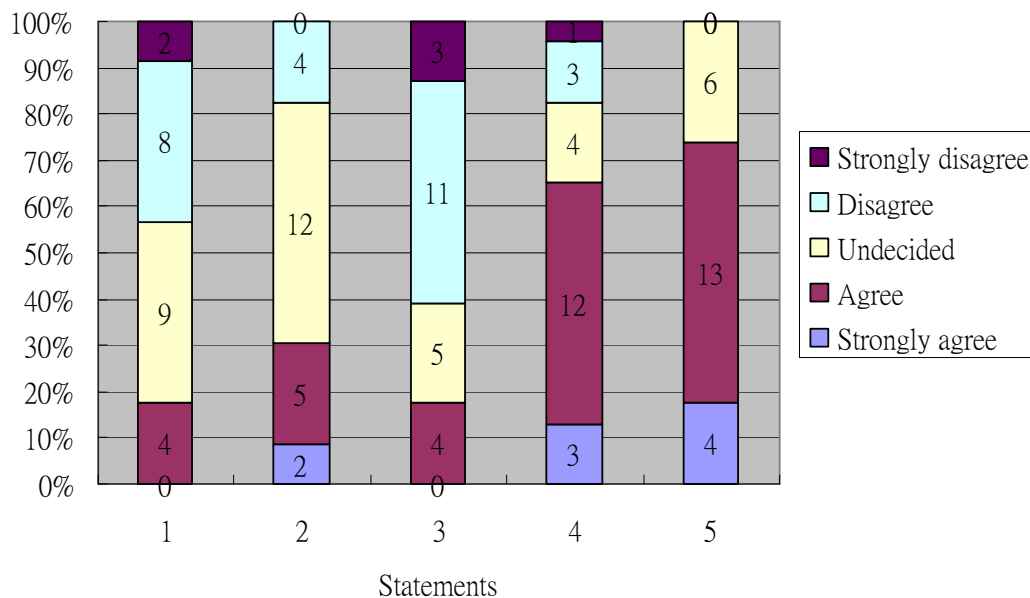


Figure 6.3 Results of questionnaire statements about report performances

| Statements | Mean Score | Standard deviation |
|---|---------------------|--------------------|
| 1. There are too many report materials within one case of IWSC. | 3.35 (Undecided) | 0.88 |
| 2. Quality of report submitted by consultants is always acceptable. | 2.78 (Undecided) | 0.85 |

| | | |
|---|--------------------|------|
| 3. Requirement for amendments in a report by consultants is seldom. | 3.57 (Disagree) | 0.05 |
| 4. Requirement for resubmission of a report by the consultants is seldom. | 2.43 (Agree) | 1.04 |
| 5. Requirement for retest of IWSC by consultants is seldom. | 2.09 (Agree) | 0.67 |

Table 6.7 Findings of the questionnaire statements about report performances

For statement 1, it reached the mean score of 'Undecided'. Actually, there is a standard form of report given to consultants to provide relevant information in the report. Therefore, the report materials are actually essential for consultants to submit.

For statement 2, most respondents chose 'Undecided'. As the one to check the reports is not the consultants themselves, they have no idea on this statement.

For statement 3, consultants disagreed that the amendments for report is seldom.

For statement 4 and 5, respondents showed their agreement to the statement. This indicates that the inspection work conducted by consultants are general acceptable, but the performance of the consultants' reporting skills has a room for improvement.

IV. Other performances measurements

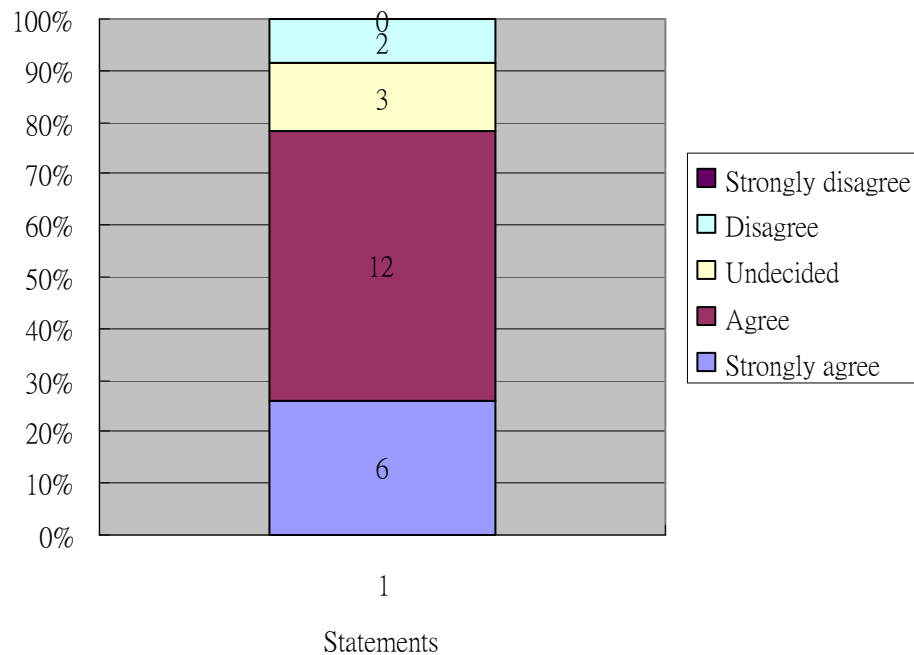


Figure 6.4 Results of questionnaire statements about other performances

| Statements | Mean Score | Standard deviation |
|---|-----------------|--------------------|
| 1. Sanctions against the performance of consultants are adequate. | 2.04 (Agree) | 0.88 |

Table 6.8 Findings of the questionnaire statements about other performances

The mean score reached 'Agree' for this statement. It is obvious that consultants would agree that sanctions are adequate for consultants.

Outsourcing outcomes

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
|-----------------------------------|---|---|---|---|---|---|---|------------------------------|
| a) Improvement to service quality | | | | | | | | Reduction to service quality |
| b) Operational flexibility | | | | | | | | Operational inflexibility |
| c) Operational effectiveness | | | | | | | | Operational ineffectiveness |

Table 6.9 Findings of the questionnaire about outsourcing outcomes

Although consultants are the service providers rather than the outsourcing party, they were also asked about the outsourcing outcome of JO. The result showed that consultants generally agree that JO can achieve those three items in the outsourcing arrangement.

Outsourcing relationships

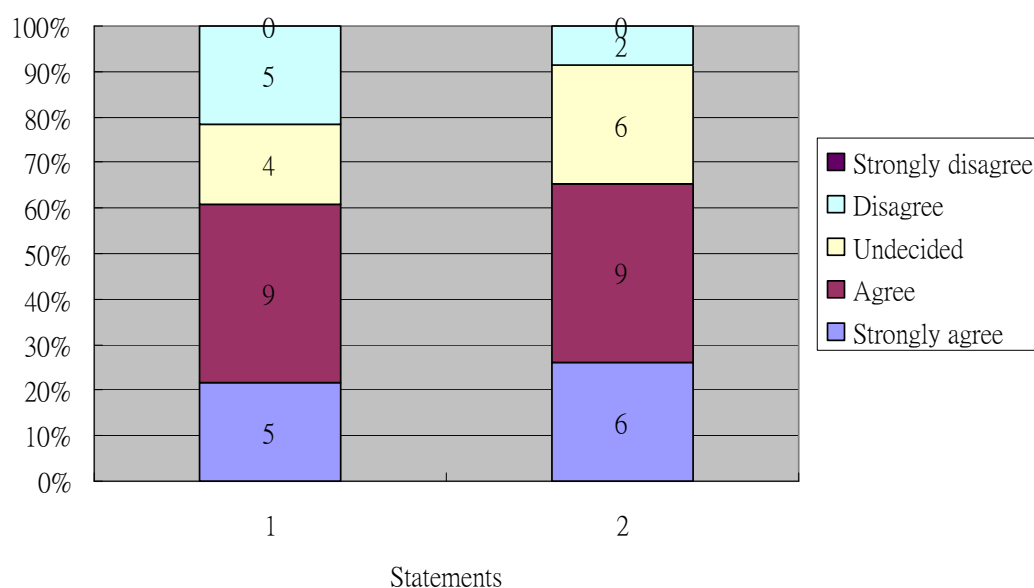


Figure 6.5 Results of questionnaire statements about outsourcing relationships

| Statements | Mean Score | Standard deviation |
|--|-----------------|--------------------|
| 1. JO and consultants shared the same objective in IWSC. | 2.39 (Agree) | 1.08 |
| 2. The responsibility between JO officers and consultants are clear. | 2.17 (Agree) | 0.94 |

Table 6.10 Findings of the questionnaire statements about outsourcing relationships

For statement 1, it is interesting that this statement showed ‘Disagree’ in the questionnaire to BSOs while it showed ‘Agree’ in the questionnaire to consultants. The reasons for this would be discussed in the Interview part.

For statement 2, Consultants show ‘Agree’ as the mean score level. This reveals that the responsibility between JO and consultants are actually clear.

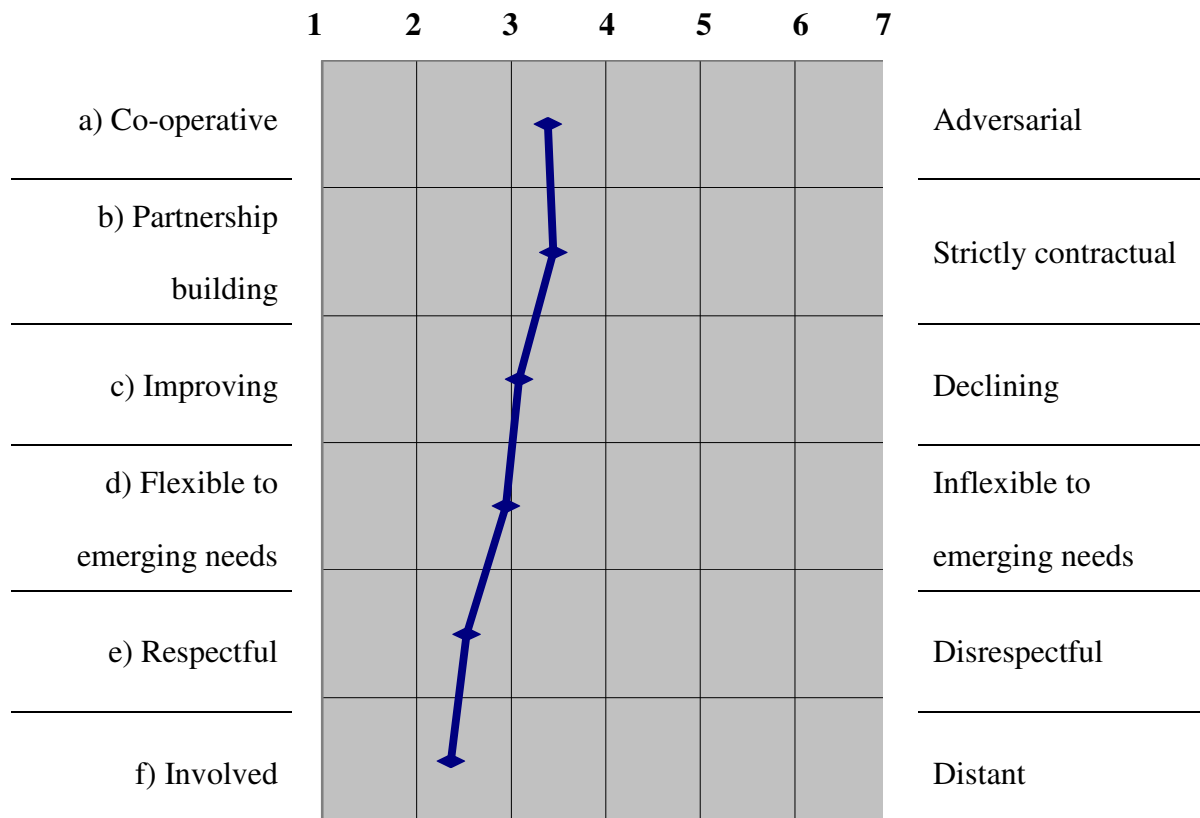


Table 6.11 Findings of the questionnaire about outsourcing relationships

The table above shows the result of all respondents towards their relationships with JO. In general, the result shifts to the left side of the table which indicates that consultants are having a acceptable relationship with JO. Consultants agreed that the relationship between JO and them are co-operative, partnership building, improving, flexible to emerging needs, respectful and involved.

6.1.5 .Interviews

Interviews are also conducted for deeper understanding of the views of consultants. While conducting the questionnaire survey, Mr. Kelvin Shek, Ms. Pauling Cheung and Mr. Dicky Chow were invite to have an individual interview about the issue. Mr. Kelvin Shek is the Senior Project Manager of Wealthy Gate Architects and Associates Limited. Ms. Pauling Cheung and Mr. Dicky Chow are respectively the Assistant Project Manager and the Technical Staff of DCL Consultants Limited. During the interview, questions about the three aspects, performance measurement, outsourcing outcomes and outsourcing relationship, are also the main focuses. Both of them gave valuable experience and opinions which are extremely useful for this study.

Performance measurements

For performance measurements, both interviewees agreed that the performance requirements from JO have been improved and are now very clear to consultants. They revealed that the contract terms in the outsourcing contract for 2009 are more clearly defined. Besides, the bi-weekly meeting of Professional Officers of JO and consultant representatives is a very good contact point for both parties. On one way that JO can monitor the progress of the consultants, consultants can explain their difficulties in handling seepage complaints by a face to face interaction with JO. Therefore, the communication between both parties largely increases.

In respect to the internal management of consultants, both interviewees claim that their companies get an acceptable efficiency and quality in handling the outsourced work. For the cases addressing their low quality of service especially to delay of work, they argue that consultants are actually bounded by uncontrollable factors. The main difficulty faced by consultants is the communication problem with UC. It is common that UC would not be co-operative with consultants. So, without the consent from UC to conduct investigation or tests in the suspected premises, no conclusion can be draw to the seepage complaints. This will then lead to delay of reports submission. Both interviewees claim that this kind of difficulty is understood by JO but not by the complaints.

Other uncontrollable factors are the inaccurate information from FEHD and existing situation of suspected premises. As mentioned in the previous chapter, the outsourcing is only implemented at Stage III of the procedure in handling seepage complaints. At Stage II, there are already some tests conducted by staff of FEHD. All information about those tests will be given to consultants for reference when consultants have to handle the cases in Stage III. However, due to some unknown reasons, the information given to consultants may be misleading or incorrect. So consultants have to start the investigation again from the beginning. The addition work will then cause more time for the investigation and may lead to delay of work. Besides, consultants may face cases that the suspected premises are not quite suitable for conducting tests. So, they have to ask the advice from JO before they conduct any works. Although this factor would affect the consultants' investigation work, they do not often happen. Both interviewees emphasize that the technical procedure of the outsourced work is actually straight forward to the staff, but the difficulties in communicating with the complainants or UC are the biggest obstacle to in handling seepage complaints..

Interviewees thought that inconsistency for different Professional Officers does exist in the outsourcing management. They pointed out that the quality of works done by consultants would really depend on the management style of the Professional Officers of JO. If the Professional Officer is more insistent in managing and monitoring the consultants, the quality of work provided by consultants would also be higher.

For the high number of amendments in regards to report performance, they claimed that those amendments are just typing mistakes or minor errors in most cases. Actually, the amendments would lead to delay in endorsing the reports but would not give great effect to the whole operation. In case of resubmission, the main reason for this is due to different point of view from JO and consultants in respect to the particular cases. Without looking at the real situation of the case, JO may give different interpretation to the cases and require additional work for consultants. In general, resubmission of report is seldom and consultants are always cooperative in handling the case.

Outsourcing outcomes

Both interviewees agreed that the motivation for JO to outsource the work is lack of human resources. They thought that it is impossible for JO to acquire large amount of technical staff for in-house operation. Instead, it is more economical and financially feasible for JO to outsource the work to the market. In addition, managing outsourcing contract by JO would be easier than managing in-house operation. One of the interviewees pointed out the most important reason for outsourcing, efficiency of handling water seepage complaints have been largely increased than the Tripartite Arrangement of the three departments (FEHD, BD and WSD) in the past. Another interviewee also stated that outsourcing the operation is beneficial to JO in terms of

time, cost and quality.

Outsourcing relationships

Interviewees agreed that they are keeping a good relationship with JO. They think that the bi-weekly meeting has given much contribution to their relationship. The bi-weekly meeting on one hand gives an effective management on the progress of consultants and on the other hand provides a platform for improving their relationships. Moreover, the responsibilities between JO and consultants have been more clearly defined.

In respect to the objective of consultants in the outsourced work, 'money-minded' is a must in the management level. However, in the frontline level who handles the seepage complaints, staff of consultants also considers the needs of complaints just like want JO does.

Chapter 7 – Conclusion

7.1 Summary of Findings and Recommendations

After the whole process of literature review, questionnaire survey and interviews, the study discover that the actual outsourcing arrangement of handling water seepage complaints has been managed by the Joint Office (JO) in a satisfactory standard. No serious negative impact is observed in the outsourcing practice. Although the result of the study does not support the hypothesis, it does give a further insight to handling of water seepage complaints in Hong Kong. The findings of the study are summarized in the following paragraphs.

In the recent decade, outsourcing has been widely adopted by both private and public organizations. It is believed that outsourcing is beneficial to the organizations for improving the products or services in terms of quantity or quality. Despite the merits of outsourcing, many scholars are criticizing on the performance and outcome of outsourcing practice. Some literature found that outsourcing actually leads to some potential risk of the organization such as cost increase, operation inflexibility and loss of core competence. With respect to outsourcing practice in public services, the arrangement has resulted in having negative impact to the public organizations (Kakabadse and Kakabadse, 2001).

In Hong Kong, the Government is promoting outsourcing practice for government activates and services as a forms of private sector involvement. There is a growing trend for different departments to adopt outsourcing because of its potential benefits such as improving quality of services and cost reduction. However, the direct investigation report of Ombudsman revealed that, in the outsourcing arrangement of handling water seepage complaints, JO was ineffective in managing and monitoring

the consultants and low quality of service by the consultants was then resulted. In respect of the findings in literature review, it seems that outsourcing arrangement in JO has caused negative impacts to the operation. This leads to a deeper study of the outsourcing arrangement of handling of water seepage complaints in JO.

Water seepage in multi-story building is stated as a longstanding and complex problem for residents in Hong Kong. The public awareness to water seepage in buildings has greatly increased since the outbreak of severe acute respiratory syndrome (SARS) in Hong Kong in 2003. In order to give a health and safety environment in a building, dismissing the water seepage problems is one of the main issues for the residents. Besides, under the Public Health and Municipal Services Ordinance, the Building Ordinance and the Waterworks Ordinance, the Government has the responsibilities to intervene the seepage problems if the seepage causes public health nuisance, building safety risks or wastage of water. The Government, replying to the need of the community, gave a quick reaction to follow up the situation. In 2004, a pilot scheme of JO was jointly set up by Buildings Department (BD) and Food and Environmental Hygiene Department (FEHD) to give a trail for replacing the Tripartite Arrangement consisting of BD, FEHD and Water Supply Department (WSD) in handling of water seepage complaints for the public. The JO scheme was found as more efficient in handling seepage complaints than the past arrangement. In mid-2006, JO was extended to cover all 19 districts in the territory. The purpose of JO is to abate the public health nuisance by providing a one-stop service for handling of seepage complaints.

There are three stages in the investigation procedure of JO. Stage I is an initial screening process by FEHD staff of JO. Stages II and III are the further investigation done by FEHD and BD staff respectively to identify the source of seepage. At Stage III, outsourcing is adopted for acquiring professional in the market for investigating

the seepage complaints. This is the stage where Ombudsman blamed that JO was ineffective in managing and monitoring the consultants.

In order to investigate the impact in the outsourcing arrangement of JO, performance measurements, outsourcing outcomes and outsourcing relationships are the three main aspects of the study. Questionnaire surveys and interviews were conducted to collect opinions and information from the JO's officers and the consultants. For JO, questionnaires were distributed to the Building Safety Officers (BSO) and there was one interview for a Head of Professional Officer and another interview for a Professional Officer (PO). For consultants, questionnaires were distributed to all current practitioner of the outsourced work and two interviews to consultant representatives were conducted.

In conclusion to the findings on two sides, no serious negative impact was found in those three aspects. Performance measurements of JO can give consultants clear guidelines in handling the outsourced work. The bi-weekly meeting between PO and the consultant representatives contributes in giving a very good contact point for the two parties to communicate and have face to face interaction. Under this arrangement, both parties agreed that they can understand the difficulties encountered by the opposite party and have built up a cooperative sense in handling of water seepage complaints. However, JO claimed that report performances of the consultants do not always meet the requirements especially amendments of reports are frequently required. Consultants in reply said that their quality of work may not meet the standard at the beginning of the contract but their performances have been improving and already meet the standard now. This is also agreed by JO.

In respect to outsourcing outcomes, both parties agreed that the anticipated benefits of JO have been achieved. Outsourcing of JO gives the operation more flexible in human resources management and more cost effectiveness. Consultants are

also claimed to be more flexible in working hours, financial resources, number of staff, office location and administration work which provide further motivations for JO in adopting outsourcing. However, the questionnaire survey found that BSOs was demotivated and there was a reduction in service quality by the outsourcing arrangement. PO explained that staff is demotivated by the uncontrollable factors rather than by the outsourcing arrangement. Also, both interviewees from JO and consultants revealed that those uncontrollable factors are the major obstacle in handling water seepage complaints efficiently to provide a high service quality.

Those uncontrollable factors are mainly related to communication and relationship problems with the complainants and undercomplainants (UC). Despite the result of both questionnaire and interviews showed that JO is keeping a satisfactory relationship with the consultants, it is difficult for JO staff or consultants to maintain a positive relationship with the complainants and UC. It is obvious that the seepage complaints have no need for JO's intervention if the complainants and UC can solve the problem by themselves. The only reason for establishing a case under JO is that complainants and UC cannot negotiate for any solution. Most likely, UC would not show a sense of cooperation when the complainants find JO to intervene the seepage problems. This would commonly lead to access problem of the suspected premises of UC, rejection of testing at the suspected area or even adversary conversation to the inspection staff. On one hand that JO or consultants is facing the resistance from UC. On the other hand complainants try to speed up their case by asking the progress from JO or consultants frequently. However, complaints would not understand the difficulties encountered by JO or consultants. They always have a misunderstanding that JO is responsible for investigating the source of seepage but this is not the case. JO aims to abate the public health nuisance under the enforcement of the Public Health and Municipal Services Ordinance, Section 127. Interviewees of

both parties claimed that the human nature problems which they are facing are much more complicated than any technical issue on seepage investigation.

Although no serious impact was found in this study, the findings of the questionnaire and interviews raise an objection to the view of Ombudsman. No ineffective management of consultants by JO was observed. Instead, JO and consultants are cooperating and building partnerships in handling the seepage complaints in Hong Kong. However, why there are still complaints about the operation of JO and why low quality of service is shown in some cases?

The study actually gives an insight to the question asked above. Other than those uncontrollable factors mentioned above affecting the performance of consultants or JO, the number of seepage complaints per month is actually unpredictable. In terms of human resources of JO, the existing number of staff cannot afford the continuous increase of seepage cases. Of course, outsourcing can give JO flexibility in distributing more cases to consultants. However, the outsourcing contract of each consultant is also capped by a fixed amount where the number of cases given to consultants is limited. This then goes to the question of financial support of JO by the Government. However, JO is a department that only has expenditure and no income can be generated. JO is actually using the money from taxpayer to handle the seepage complaints.

In addition to the financial resources of JO, the study found that the understanding of public to the purpose and operation of JO is inadequate. Public concern over the water seepage in building should be firstly responsible by the owners themselves, but now have a situation that public is relying on JO in handling of seepage complaints. One of the interviewees from JO revealed that the situation is also the same for property management companies. They group the cases in their buildings and sent all to JO to follow up. This situation is likely due to the service

provided by JO is free of charge to every complainant.

In respect to the findings of the study, the following recommendations are suggested for improving further operation of JO.

1. Consistent in managing and monitoring consultants

Although the outsourcing arrangement has given the anticipated benefits to JO, one of interviewees from consultants claimed that the performance measurement from different PO may be inconsistent in managing the consultants. This would lead to varied quality of service provided by different consultants. Therefore, consistent in managing and monitoring consultants by all PO is important to give an alignment on standard of service provided by all consultants.

2. Encouraging better internal management of consultants

The interview to JO's staff did show that the internal management of some consultants is underperforming. JO should be active in encouraging improvement to those consultants. JO should also straightly control their performance through the bi-weekly meeting and the quarterly appraisal report. If their performance has no improvement upon reminder, warning letter or further action should be follow up for warning the consultants.

3. Maintaining a good relationship with consultants

The study finds that JO and consultants have a good outsourcing relationship within the period of the study. However, maintaining a good relationship for a long time should be much difficult than having for a while. The target for JO should be maintaining the relationship with consultants with a long period of time in order to give smoother operation of the outsourcing arrangement continually.

.

4. Charging cost to complainants.

Until now, handling seepage complaints is a service provided by JO free of charge. However, this causes the public relying on JO for the water seepage problems. I remember that for a few years ago, the use of the emergency service of public hospital was also free of charge but the public used the service even there was no emergency needs. After the establishment of charging HK\$100 for each time of using the service, the public awareness to the use of emergency service of public hospital has been largely improved. As surveyors is also titled as 'doctor of buildings', the situation now faced by JO is very similar to the emergency service provided by public hospital. In addition, the service provided by JO continues using the taxpayer's money while there is no limited quota of cases handled by JO per certain period. Lack of financial resources is directly affecting the quality of service provided by JO. Therefore, charging the complainants not only avoid some unnecessary complaints, but also provide JO financial support to continue operating the service.

5. Civil education for water seepage investigation and self dispute resolution

It is likely that the public is lack of knowledge in handling water seepage problems in buildings. Also, it seems that property management companies try not to handle it by putting the responsibilities to JO. Further policy on educating the public about the issue can lead them to self dispute resolution between owners in a building. Once the general knowledge of the public towards the issue has increased, a relief to the number of cases handled by JO would be properly resulted.

6. Improvement of construction design and workmanship

Of course, prevention is always better than treatment. Improvement of construction design and workmanship in preventing water seepage in multi-story buildings can effectively give a stop to water seepage problems afterwards. It is essential for research and development of the construction industry to discover the latest and innovative technology for new buildings. This would be the most contributive in providing health and safety buildings for residents.

7.2 Limitations of the Study

In this study, a questionnaire survey and interviews is used to acquire the opinions and views from staff of JO and consultants. In the questionnaire survey, the response rate of JO is 37.5% and the response rate of consultants is 21%. The response rate of JO was satisfactory while it is not for consultants. This may be due to no direct contact with the consultants for distributing the questionnaires. All questionnaires distributed to the consultants are assisted by the PO of JO. Besides, the disadvantage of using questionnaire survey is that respondents may give anticipated answers to the questions rather than providing their 'true' answers. Nevertheless, the information from the interviews also support the result of the questionnaire survey, so the result is still significant to the study.

Another limitation of this study is that there are no real seepage complaint case studies to support the final conclusion. All views and opinions are only collected from staff of JO and consultants only. As complaints or undercomplainants are also decisive parties of the performance of JO and consultants, adding their opinions in the study can give a holistic view over the issue. However, conducting seepage complaints case study requires 2-4 months for one case. It is impossible for the limited time in

preparing this dissertation.

7.3 Areas for Further Research

In respect to the outsourcing arrangement of JO, although the current arrangement is found to be satisfactory by the views from JO and consultants, no opinion of complainants or undercomplainants is collected. This should be an area of further study to give a holistic view of the operation of JO.

Besides, one recommendation suggests charging some amount of money to complainants. This recommendation has not been supported by any research. So, it is possible to give a feasibility study of the issue especially in terms of legal aspect.

Although no serious impact was found in the outsourcing arrangement of JO, this does not mean that other Government departments perform the same in providing public service to the community. A research of all outsourcing practice in public sector of Hong Kong can investigate the current performance of outsourcing in the Government.

Other researches related to water seepage testing, prevention or construction technology for developing health and safety buildings in Hong Kong are also suggested. This can contribute to the long lasting water seepage problems in Hong Kong.

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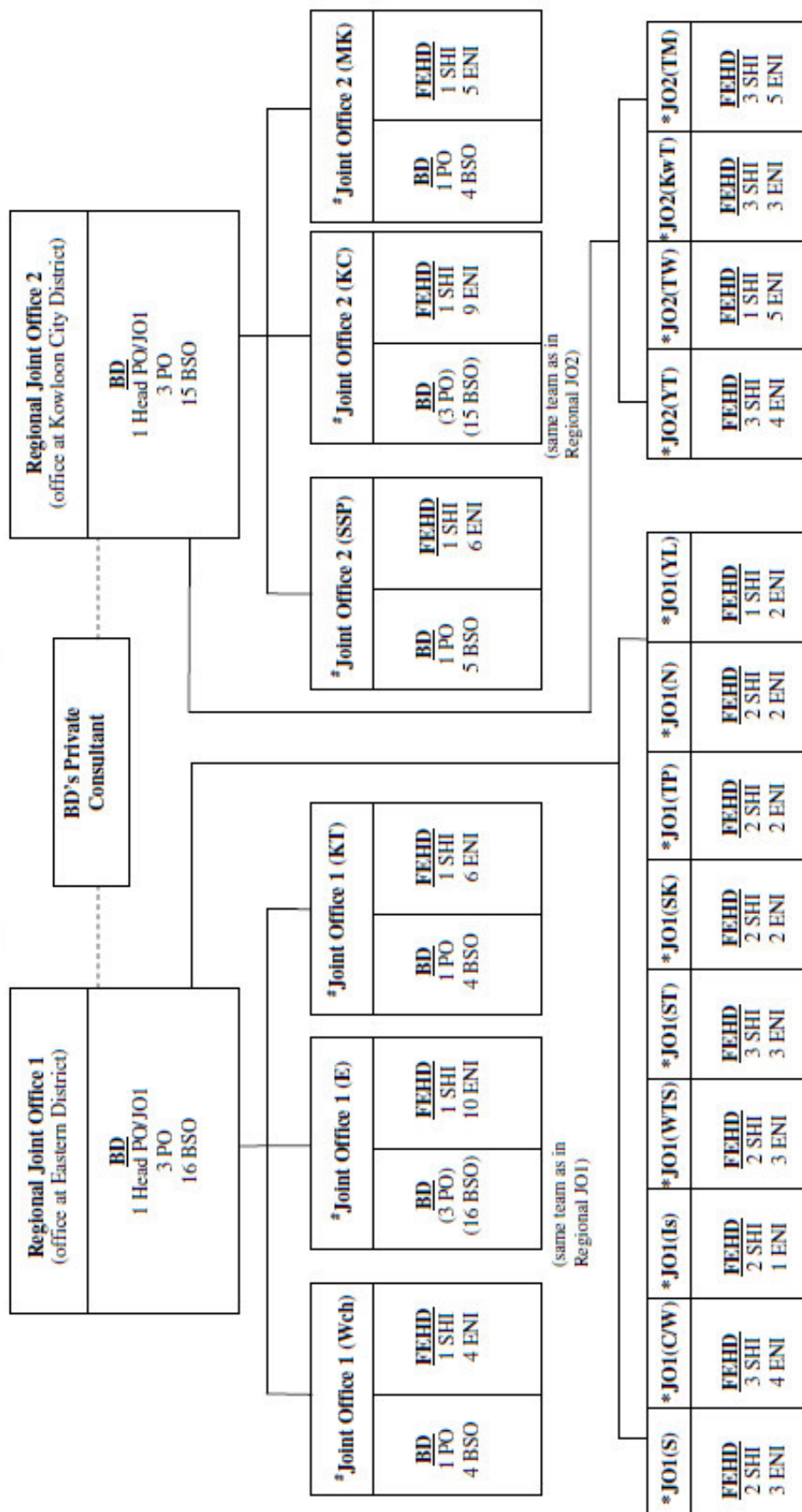
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Appendix I

Organization and Staffing of Joint Office

Organisation and Staffing of Joint Office



These 6 District JOs are combined offices with BD and FEHD officers working under one roof.

* These 13 District JOs are "split" offices with BD officers working in Regional JOs and other District JOs.

PO – Professional Officer

BSO – Building Safety Officer

ENI – Environmental Nuisance Investigator

SHI – Senior Health Inspector (part-time)

Appendix II

Tests used in Investigating Water Seepage Complaints

| | |
|----------------------------------|--|
| Colour Water Test | This is used to test leakage in drainage pipes or sanitary fittings. Diluted colour dye water is discharged into the sanitary fittings or drainage inlets. The seepage area is then monitored for up to 4 weeks, and the test is considered positive if colour dye appears. |
| Infrared Scanner | Where the seepage area is not readily accessible, Infrared Scanner is used to measure moisture content and help deduce seepage source. The scanner cannot itself identify the source of seepage. It however can detect the variations of temperature and hence the presence of water on a surface. |
| Moisture Content Monitoring Test | This is commonly used to check any seepage due to rainwater infiltration through external wall. The moisture content at the affected area is measured with a moisture meter under different weather conditions. The change in the moisture content will determine if the test is considered positive. |
| Ponding Test | <p>This is used to test leakage through floor slab, i.e. infiltration. Diluted colour dye water is poured onto the test area and kept for 2 hours. The seepage area is then monitored for up to 4 weeks, and the test is considered positive if colour dye appears.</p> <p>Alternatively, clear water may be used for the test but less effective. The change of moisture content at the seepage area is recorded before, during and after the test. The test is considered positive if there is significant increase in moisture content at the seepage area.</p> |
| Reversible Pressure Test | This is used to test leakage in water supply pipes (both potable and flushing water). The rate of water dripping or moisture content at selected spot(s) is measured before and after the water pressure in the suspected water supply pipe is released by draining water out of the pipe. Then, the rate of water dripping or moisture content at the spot is measured again on resuming the water pipe pressure. The change in the rate of water dripping or moisture content measured during the test will determine if the test is considered positive. |

| | |
|------------------------|--|
| Water Meter Flow Check | This is used to test leakage in potable water supply pipes. The first step is to turn off all water taps and to record the reading on the water meter. After 30 minutes the meter reading is recorded again. Change in the two readings will indicate leakage. |
|------------------------|--|

Appendix III

Request Letter for the Research Study to the Joint Office

Request for conducting the study related to the outsourcing arrangement of
investigation of water seepage complaints

Dear Mr. Lam,

I am Ng Kwok Kei, a BSc (Surveying) final year student of Department of Real Estate and Construction at the University of Hong Kong. I am conducting a research project on “The impact of outsourcing in public services: water seepage inspection in Hong Kong” and would like to invite the JO officers and consultants to participate. The study aims at investigating the performance measurement, outsourcing outcome and outsourcing relationship in the outsourcing arrangement noted by the Joint Offices and the consultants, which could have an impact on the quality of services of investigation of water seepage complaints provided under the Joint Office. This study involves

1. Sending questionnaires to JO Officers and consultants
2. Conducting interview with JO directors and contract managers of consultants

In the study, views and opinions of the participants on the performance measurement, outsourcing outcome and outsourcing relationship in the outsourcing arrangement will be asked. I would request the approval from the JO to allow me to conduct the research on the subject. The questionnaire and the interview questions are attached for your reference. All data collected will be used solely for academic purpose and the identity of individuals will not be revealed without their consent and all data collected from you will be destroyed immediately after the examination of dissertation. The data collected for the study should be valuable to the Joint Office to propose improvement measures for further operations in the investigation work. If you have any questions about the research, please feel free to contact Ng Kwok Kei by phone 9288-6007 or by email ilovegod@hkusua.hku.hk.

Should you need further clarification, you may contact my supervisor, Dr. S.W. Poon, at 2859-2128.

Thank you very much for your favorable consideration. I am looking forward to hearing from you soon.

Yours sincerely,

Ng Kwok Kei

Endorsed by Dr. S.W. Poon

P.S. Attachment with

1. A set of questionnaire to JO officers and consultants.
2. A set of questions would be asked during the interview.

Appendix IV

Covering Letter to Head of Professional Officer of Joint Office

Subject: Undergraduate Research project on Handling of Water Seepage Complaints

Dear Mr. Wong,

I am Ng Kwok Kei, a BSc (Surveying) final year student of Department of Real Estate and Construction at the University of Hong Kong. I am conducting a research project on “*The impact of outsourcing in public services: water seepage inspection in Hong Kong*” and would like to invite the JO officers and consultants to participate.

Background of the Study

In 2008, the direct investigation report from The Ombudsman and some newspaper articles stated some deficiencies of JO in handling water seepage complaints. Management of consultants is one of the areas that deficiencies were identified. With my interest to outsourcing in public services, I would like conduct a research over the outsourcing arrangement of the JO operation.

Scope of the Study

The study aims at investigating the performance measurement, outsourcing outcome and outsourcing relationship in the outsourcing arrangement noted by the Joint Offices and the consultants, which could have an impact on the quality of services of investigation of water seepage complaints provided under JO. This study involves

1. Conducting questionnaires to BSO of JO and consultants
2. Conducting interviews with one PO, one Head of JO and two contract managers of consultants/ consultants representatives

Method of conducting Questionnaires

For the questionnaire to BSO, soft copy will be sent to each BSO by email. Only 5-10mins is required to complete the questionnaire. After filling in the questionnaire in the soft copy, they can simply reply my email attached with the completed questionnaire. Please fill in the questionnaire and sent it back to me within two weeks.

For the questionnaire to consultants, all staff involved in handling water seepage complaints are the target of the questionnaire. They include the contract manager, technical staff and investigation assistants. Soft copy of the questionnaire will be sent to the contact person of each consultant. I would like to request each contact person to distribute the questionnaire to the target staff with soft copy or hard copy. Only 5-10mins is required to complete the questionnaire. For the staff with soft copy, they can simply reply me in email attached with the completed questionnaire after filling in it. My email address is already attached in the questionnaire. For those with hard copy, I can collect it in person or consultants can scan the questionnaire and send it back to me by email. The time frame for consultants is also two weeks.

Interview

Individual interviews will be conducted with one PO, one Head of JO and two consultant representatives from JO1. I am mainly available in the afternoon starting from next week. I am flexible in arranging the venue for interview. It is possible for me to meet the interviewee in person. Each interview will last for 30mins to 1hr.

The following files are attached for your reference:

1. Research proposal
2. Questionnaire to BSO
3. Questionnaire to consultants
4. Interview questions

This study has already agreed by JO. To facilitate the arrangement of the questionnaires, please send me the email of BSO and consultants, or any other contact information of consultants. All data collected will be used solely for academic purpose and the identity of individuals will not be revealed without their consent and all data collected from you will be destroyed immediately after the examination of dissertation. The data collected for the study should be valuable to the JO to propose improvement measures for further operations in the investigation work. I would ask my supervisor if my department can give a copy of the research to FEHD. If you have any questions about the research, please feel free to contact Ng Kwok Kei by phone 9288-6007 by email ilovegod@hkusua.hku.hk.

Thank you very much for your favorable consideration and arrangement.

Regards,
Ng Kwok Kei

Appendix V

Questionnaire to the Joint Office

Outsourcing Investigation of Water Seepage Complaints in Hong Kong

This questionnaire will produce findings about the *performance measurement, outsourcing outcome and outsourcing relationship in the outsourcing arrangement*, which could have an impact on the quality of services of *Investigation of Water Seepage Complaints (IWSC)* provided under the Joint Office. It should benefit the Joint Office to propose improvement measures for further operations.

Please complete the following questions and email it to ilovegod@hkusua.hku.hk . If you wish to comment on any questions or qualify your answers, please use the space provided on the last page.

A. Basic information

A1. Location of your Joint Office : _____

A2. The district(s) of cases handled by you
(e.g. Wan Chai, Kwun Tong): _____

A3. What is the average range of cases handled by you per month?
_____ (e.g. 30-40)

A4. What is the average range of cases handled by you were outsourced to consultants per month?

A5. How many consultants were involved in your outsourced cases?

B. Performance measurement of the IWSC work

B1. How do you measure the outsourced work done by consultants? (can be more than one)

Please put an “X” in the box.

- | | |
|--------------------------|---------------------------------------|
| <input type="checkbox"/> | A. own judgment |
| <input type="checkbox"/> | B. performance indicators given by JO |
| <input type="checkbox"/> | C. others: (please specify) _____ |

B2. Below is a list of statement about the performance measurement of the outsourced IWSC.

For each of the following statements please rate your agreement or disagreement by making an “X” inside the box that best describes your opinion

| | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|--|----------------|-------|-----------|----------|-------------------|
| <u>1. Performance requirements:</u> | | | | | |
| i) Performance requirements of IWSC were mutually agreed between JO and consultants. | | | | | |
| ii) Performance requirements for different JO officers towards consultants are consistent. | | | | | |
| iii) Performance requirements for JO towards different consultants are consistent. | | | | | |
| <u>2. Operation performances:</u> | | | | | |
| i) Consultants’ response to cases’ matters is efficient. | | | | | |
| ii) JO officers’ response to consultants’ request is efficient. | | | | | |
| iii) Consultants maintain a positive relationship with the complainants | | | | | |
| iv) JO officers maintain a positive relationship with the complainants | | | | | |
| v) Change of the personnel of consultants affects the operation performance. | | | | | |
| vi) Change of the personnel of JO officers affects the operation performance. | | | | | |
| vii) Consultants are performing their professionalism in IWSC | | | | | |
| <u>3. Reports performances:</u> | | | | | |
| i) There are too many report materials within one case of IWSC | | | | | |
| ii) Quality of report submitted by consultants is always acceptable | | | | | |

| <u>3. Reports performances:</u> | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|--|-----------------------|--------------|------------------|-----------------|--------------------------|
| iii) Requirement for amendments in a report by consultants is seldom. | | | | | |
| iv) Requirement for resubmission of a report by the consultants is seldom. | | | | | |
| v) Requirement for retest of IWSC by consultants is seldom. | | | | | |
| <u>4. Other performances:</u> | | | | | |
| i) Sanctions against the performance of consultants are adequate. | | | | | |
| ii) Others: | | | | | |
| iii) Others: | | | | | |

C. Outsourcing Outcomes

C1.Below is a list of possible outsourcing outcomes of the outsourced IWSC.

For each of the following statements please rate the degree of agreement by making an “X” inside the box of the corresponding number that best describes your opinion. The smaller number represents the agreement to the outcome on the left and the larger number represents the agreement to the outcome on the right.

| <u>Possible outcomes:</u> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <u>Possible outcomes:</u> |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------------------------------|
| a) Cost reduction | | | | | | | | Cost increase |
| b) Improvement to service quality | | | | | | | | Reduction to service quality |
| c) Operational flexibility | | | | | | | | Operational inflexibility |
| d) Operational effectiveness | | | | | | | | Operational ineffectiveness |
| e) Effective use of JO officers | | | | | | | | Ineffective use of JO officers |
| f) Motivated staff | | | | | | | | Demotivated staff |

D. Outsourcing Relationship(s)

D1.Below is a list of statement about outsourcing relationship between JO officers and consultants in the outsourced IWSC.

For each of the following statements please rate your agreement or disagreement by making an “X” inside the box that best describes your opinion

| | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|--|----------------|-------|-----------|----------|-------------------|
| 1. JO and consultants shared the same objective in IWSC | | | | | |
| 2. The responsibility between JO officers and consultants are clear. | | | | | |
| Others: | | | | | |
| Others: | | | | | |

D2.Below is a list of possible quality of outsourcing relationship(s) of the outsourced IWSC.

For each of the following statements please rate the degree of agreement by making an “X” inside the box of the corresponding number that best describes your opinion. The smaller number represents the agreement to the quality of relationship on the left and the larger number represents the agreement to the quality of relationship on the right.

| <u>Quality:</u> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <u>Quality:</u> |
|-------------------------------|---|---|---|---|---|---|---|----------------------------------|
| a) Co-operative | | | | | | | | Adversarial |
| b) Open / Transparent | | | | | | | | Closed / on a need-to-know basis |
| c) Partnership building | | | | | | | | Strictly contractual |
| d) Improving | | | | | | | | Declining |
| E) Flexible to emerging needs | | | | | | | | Inflexible to emerging needs |
| f) Respectful | | | | | | | | Disrespectful |
| g) Involved | | | | | | | | Distant |

E. Other information

E1. The following information will not be used in any part of the published study results but is simply intended to provide appropriate up-to-date contact information.

E2. Contact Person: _____
Contact Number: _____
Fax Number: _____
E-mail address: _____

E3. Would you like a copy of the published results when they become available?

☐ No
☐ Yes

E4. If you have any comments and recommendations you would like make about this survey, or the outsourcing arrangement of IWSC, please write them in the box below.

Your contribution to this survey is very greatly appreciated.

Please e-mail the questionnaire to ilovegod@hkusua.hku.hk .

A copy of the results of this survey will be sent to all participants upon request.

Appendix VI

Results of Questionnaire to the Joint Office

Performance measurements

- Performance requirements

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 4 | 9 | 2 | 3 | 0 | 40 | 1.74 | 1.00 |
| | 22% | 50% | 11% | 17% | 0% | | | |
| 2 | 2 | 4 | 6 | 6 | 0 | 52 | 2.26 | 1.02 |
| | 11% | 22% | 33% | 33% | 0% | | | |
| 3 | 2 | 6 | 6 | 4 | 0 | 48 | 2.09 | 0.97 |
| | 11% | 33% | 33% | 22% | 0% | | | |

| Statements |
|--|
| 4. Performance requirements of Investigation of Water Seepage Complaints (IWSC) were mutually agreed between JO and consultants. |
| 5. Performance requirements for different JO officers towards consultants are consistent. |
| 6. Performance requirements for JO towards different consultants are consistent. |

- Operation performances

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 3 | 9 | 4 | 2 | 0 | 41 | 1.78 | 0.89 |
| | 17% | 50% | 22% | 11% | 0% | | | |
| 2 | 7 | 9 | 2 | 0 | 0 | 31 | 1.35 | 0.67 |
| | 39% | 50% | 11% | 0% | 0% | | | |
| 3 | 0 | 5 | 7 | 4 | 2 | 57 | 2.48 | 0.99 |
| | 0% | 28% | 39% | 22% | 11% | | | |
| 4 | 0 | 4 | 6 | 7 | 1 | 59 | 2.57 | 0.89 |
| | 0% | 22% | 33% | 39% | 6% | | | |
| 5 | 6 | 8 | 4 | 0 | 0 | 34 | 1.48 | 0.76 |
| | 33% | 44% | 22% | 0% | 0% | | | |
| 6 | 5 | 8 | 3 | 2 | 0 | 38 | 1.65 | 0.96 |
| | 28% | 44% | 17% | 11% | 0% | | | |
| 7 | 1 | 11 | 4 | 2 | 0 | 43 | 1.87 | 0.78 |
| | 6% | 61% | 22% | 11% | 0% | | | |

| Statements |
|---|
| 8. Consultants' response to cases' matters is efficient. |
| 9. JO officers' response to consultants' request is efficient. |
| 10. Consultants maintain a positive relationship with the complainants |
| 11. JO officers maintain a positive relationship with the complainants |
| 12. Change of the personnel of consultants affects the operation performance. |
| 13. Change of the personnel of JO officers affects the operation performance. |
| 14. Consultants are performing their professionalism in IWSC. |

- Report performances

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 1 | 3 | 3 | 7 | 4 | 64 | 2.78 | 1.20 |
| | 6% | 17% | 17% | 39% | 22% | | | |
| 2 | 0 | 0 | 4 | 9 | 5 | 73 | 3.17 | 0.73 |
| | 0% | 0% | 22% | 50% | 28% | | | |
| 3 | 0 | 0 | 1 | 4 | 13 | 84 | 3.65 | 0.59 |
| | 0% | 0% | 6% | 22% | 72% | | | |
| 4 | 0 | 0 | 4 | 9 | 5 | 73 | 3.17 | 0.73 |
| | 0% | 0% | 22% | 50% | 28% | | | |
| 5 | 3 | 8 | 7 | 0 | 0 | 40 | 1.74 | 0.73 |
| | 17% | 44% | 39% | 0% | 0% | | | |

| Statements |
|---|
| 6. There are too many report materials within one case of IWSC |
| 7. Quality of report submitted by consultants is always acceptable |
| 8. Requirement for amendments in a report by consultants is seldom. |
| 9. Requirement for resubmission of a report by the consultants is seldom. |
| 10. Requirement for retest of IWSC by consultants is seldom. |

- Other performances measurements

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 0 | 6 | 6 | 5 | 1 | 55 | 2.39 | 0.94 |
| | 0% | 33% | 33% | 28% | 6% | | | |

| Statements |
|---|
| 2. Sanctions against the performance of consultants are adequate. |

Outsourcing outcomes

| Possible pair of outcomes | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Mean score |
|---------------------------|-----|-----|-----|-----|-----|-----|----|------------|
| a | 6 | 6 | 5 | 1 | 0 | 0 | 0 | 2.06 |
| | 33% | 33% | 28% | 6% | 0% | 0% | 0% | |
| b | 0 | 0 | 2 | 5 | 6 | 5 | 0 | 4.78 |
| | 0% | 0% | 11% | 28% | 33% | 28% | 0% | |
| c | 2 | 12 | 3 | 1 | 0 | 0 | 0 | 2.17 |
| | 11% | 67% | 17% | 6% | 0% | 0% | 0% | |
| d | 0 | 7 | 5 | 6 | 0 | 0 | 0 | 2.94 |
| | 0% | 39% | 28% | 33% | 0% | 0% | 0% | |
| e | 1 | 8 | 2 | 4 | 3 | 0 | 0 | 3.00 |
| | 6% | 44% | 11% | 22% | 17% | 0% | 0% | |
| f | 0 | 0 | 2 | 5 | 4 | 7 | 0 | 4.89 |
| | 0% | 0% | 11% | 28% | 22% | 39% | 0% | |

| Possible pair of outcomes | 1-7 | |
|-----------------------------------|-----|--------------------------------|
| a) Cost reduction | <> | Cost increase |
| b) Improvement to service quality | <> | Reduction to service quality |
| c) Operational flexibility | <> | Operational inflexibility |
| d) Operational effectiveness | <> | Operational ineffectiveness |
| e) Effective use of JO officers | <> | Ineffective use of JO officers |
| f) Motivated staff | <> | Demotivated staff |

Outsourcing relationships

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 1 | 1 | 2 | 6 | 8 | 73 | 3.17 | 1.16 |
| | 6% | 6% | 11% | 33% | 44% | | | |
| 2 | 8 | 7 | 3 | 0 | 0 | 31 | 1.35 | 0.75 |
| | 44% | 39% | 17% | 0% | 0% | | | |

| Statements |
|--|
| 3. JO and consultants shared the same objective in IWSC. |
| 4. The responsibility between JO officers and consultants are clear. |

| Possible pair of outcomes | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Mean score |
|---------------------------|-----|-----|-----|-----|-----|----|----|------------|
| a | 1 | 10 | 3 | 2 | 2 | 0 | 0 | 2.67 |
| | 6% | 56% | 17% | 11% | 11% | 0% | 0% | |
| b | 6 | 6 | 6 | 0 | 0 | 0 | 0 | 2.00 |
| | 33% | 33% | 33% | 0% | 0% | 0% | 0% | |
| c | 2 | 9 | 4 | 2 | 1 | 0 | 0 | 2.50 |
| | 11% | 50% | 22% | 11% | 6% | 0% | 0% | |
| d | 0 | 6 | 6 | 4 | 2 | 0 | 0 | 3.11 |
| | 0% | 33% | 33% | 22% | 11% | 0% | 0% | |
| e | 3 | 10 | 3 | 2 | 0 | 0 | 0 | 2.22 |
| | 17% | 56% | 17% | 11% | 0% | 0% | 0% | |
| f | 2 | 13 | 3 | 0 | 0 | 0 | 0 | 2.06 |
| | 11% | 72% | 17% | 0% | 0% | 0% | 0% | |
| g | 5 | 8 | 5 | 0 | 0 | 0 | 0 | 2.00 |
| | 28% | 44% | 28% | 0% | 0% | 0% | 0% | |

| Possible pair of relationships | 1-7 | |
|--------------------------------|-----|----------------------------------|
| a) Co-operative | ⟷ | Adversarial |
| b) Open / Transparent | ⟷ | Closed / on a need-to-know basis |
| c) Partnership building | ⟷ | Strictly contractual |
| d) Improving | ⟷ | Declining |
| e) Flexible to emerging needs | ⟷ | Inflexible to emerging needs |
| f) Respectful | ⟷ | Disrespectful |
| g) Involved | ⟷ | Distant |

Appendix VII

Interview Questions to the Professional Officers

I. *Why outsourcing?*

1. Why the investigation work is outsourced?
2. What is the expectation of JO for outsourcing?

II. *Performance measurement:*

1. What is the mechanism of measuring the performance of the consultants?
2. Any KPI for the outsourced work?
3. Is the mechanism consistence form different JO offices?
4. Are there too many report materials for the investigation work? Why?
5. Is the requirement to consultants for amendments or resubmission of reports frequent?
6. Will the further amendments or resubmission of work cause an additional workload to the staffs?
7. Do the contractors always meet the requirements of the work? If not, why?
8. What will be the consequence if the consultants do not meet the performance requirement?
9. Do the contractors efficient in handling the investigation? If nor, why?
10. What are your views about the quality of service done by the consultants?
11. What is the relationship between the staff and complainants?
12. Are there any ways to get feedback from the complainants (users of the service)?

III. *Outsourcing outcome:*

1. Are the anticipated benefits achieved?

IV. *Outsourcing relationship:*

1. How do you describe the existing relationship between JO and consultants?
2. Any adversarial relationship report from staff?
3. Do the consultants share the same objective as you in handling the investigation? Why?
4. Are the requirements between you and consultants are mutually agreed? Why?
5. Are there any unclear responsibilities between you and the consultants? If yes, why?

V. *Others:*

1. How would JO seek for continuous improvement of the work? What need improve?
2. Would you observed any negative impact from staffs?
3. Do you find the outsourcing work lead to inflexibility in responding to the need of communities?
4. Does the outsourcing service cost more than conducted by in-house?

Appendix VIII

Questionnaire to the Consultants

Outsourcing Investigation of Water Seepage Complaints in Hong Kong

This questionnaire will produce findings about the *performance measurement, outsourcing outcome and outsourcing relationship in the outsourcing arrangement*, which could have an impact on the quality of services of *Investigation of Water Seepage Complaints (IWSC)* provided under the Joint Office.

Please complete the following questions and email it to ilovegod@hkusua.hku.hk . If you wish to comment on any questions or qualify your answers, please use the space provided on the last page.

B. Basic information

A1. Name of consultants' firm : _____

A2. What is the average range of cases handled by you per month?
_____ (e.g. 30-40)

A3. How many districts involved within the cases handled by you?

C. Performance measurement of the IWSC work

B1. Below is a list of statement about the performance measurement of the outsourced IWSC.

For each of the following statements please rate your agreement or disagreement by making an “X” inside the box that best describes your opinion

| | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|--|----------------|-------|-----------|----------|-------------------|
| <u>1. Performance requirements:</u> | | | | | |
| i) Performance requirements of IWSC were mutually agreed between consultants and JO. | | | | | |

| <u>1. Performance requirements:</u> | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|--|-----------------------|--------------|------------------|-----------------|--------------------------|
| ii) Performance requirements for different JO officers towards consultants are consistent. | | | | | |
| <u>2. Operation performances:</u> | | | | | |
| i) Consultant's response to cases' matters is efficient. | | | | | |
| ii) JO officers' response to consultants' request is efficient. | | | | | |
| iii) Consultant maintains a positive relationship with the complainants | | | | | |
| iv) JO officers maintain a positive relationship with the complainants | | | | | |
| v) Change of the personnel of consultants affects the operation performance. | | | | | |
| vi) Change of the personnel of JO officers affects the operation performance. | | | | | |
| vii) Consultants are performing their professionalism in IWSC | | | | | |
| <u>3. Reports performances:</u> | | | | | |
| i) There are too many report materials within one case of IWSC | | | | | |
| ii) Quality of report submitted by consultants is always acceptable | | | | | |
| iii) Requirement for amendments in a report by consultants is seldom. | | | | | |
| iv) Requirement for resubmission of a report by the consultants is seldom. | | | | | |
| v) Requirement for retest of IWSC by consultants is seldom. | | | | | |
| <u>4. Other performances:</u> | | | | | |
| i) Sanctions against the performance of consultants are adequate. | | | | | |
| ii) Others: | | | | | |

| | | | | | |
|--------------|--|--|--|--|--|
| iii) Others: | | | | | |
|--------------|--|--|--|--|--|

D. Outsourcing Outcomes

C1.Below is a list of possible outsourcing outcomes of the outsourced IWSC.

For each of the following statements please rate the degree of agreement by making an “X” inside the box of the corresponding number that best describes your opinion. The smaller number represents the agreement to the outcome on the left and the larger number represents the agreement to the outcome on the right.

| <u>Possible outcomes:</u> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <u>Possible outcomes:</u> |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------------------------------|
| a) Improvement to service quality | | | | | | | | Reduction to service quality |
| b) Operational flexibility | | | | | | | | Operational inflexibility |
| c) Operational effectiveness | | | | | | | | Operational ineffectiveness |

E. Outsourcing Relationship(s)

D1.Below is a list of statement about outsourcing relationship in the outsourced IWSC.

For each of the following statements please rate your agreement or disagreement by making an “X” inside the box that best describes your opinion

| | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|--|-----------------------|--------------|------------------|-----------------|--------------------------|
| 1. JO and consultants shared the same objective in IWSC | | | | | |
| 2. The responsibility between JO officers and consultants are clear. | | | | | |
| Others: | | | | | |
| Others: | | | | | |

D2.Below is a list of possible quality of outsourcing relationship(s) between JO officers and consultants of the outsourced IWSC.

For each of the following statements please rate the degree of agreement by making an “X” inside the box of the corresponding number that best describes your opinion. The smaller number represents the agreement to the quality of relationship on the left and the larger number represents the agreement to the quality of relationship on the right.

| <u>Quality:</u> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <u>Quality:</u> |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|------------------------------|
| a) Co-operative | | | | | | | | Adversarial |
| b) Partnership building | | | | | | | | Strictly contractual |
| c) Improving | | | | | | | | Declining |
| d) Flexible to emerging needs | | | | | | | | Inflexible to emerging needs |
| e) Respectful | | | | | | | | Disrespectful |
| f) Involved | | | | | | | | Distant |

F. Other information

E1. The following information will not be used in any part of the published study results but is simply intended to provide appropriate up-to-date contact information.

E2. Contact Person: _____
Contact Number: _____
Fax Number: _____
E-mail address: _____

E3. Would you like a copy of the published results when they become available?

☐ No
☐ Yes

E4. If you have any comments and recommendations you would like make about this survey, or the outsourcing arrangement of IWSC, please write them in the box below.

Your contribution to this survey is very greatly appreciated.

Please e-mail the questionnaire to ilovegod@hkusua.hku.hk .

A copy of the results of this survey will be sent to all participants upon request.

Appendix IX

Results of Questionnaire to the Consultants

Performance measurements

- Performance requirements

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 6 | 9 | 4 | 4 | 0 | 52 | 2.26 | 1.05 |
| | 26% | 39% | 17% | 17% | 0% | | | |
| 2 | 5 | 8 | 6 | 4 | 0 | 55 | 2.39 | 1.03 |
| | 22% | 35% | 26% | 17% | 0% | | | |

| Statements |
|---|
| 1. Performance requirements of IWSC were mutually agreed between consultants and JO. |
| 2. Performance requirements for different JO officers towards consultants are consistent. |

- Operation performances

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 8 | 12 | 1 | 2 | 0 | 43 | 1.87 | 0.87 |
| | 35% | 52% | 4% | 9% | 0% | | | |
| 2 | 7 | 9 | 4 | 3 | 0 | 49 | 2.13 | 1.01 |
| | 30% | 39% | 17% | 13% | 0% | | | |
| 3 | 0 | 5 | 8 | 7 | 3 | 77 | 3.35 | 0.98 |
| | 0% | 22% | 35% | 30% | 13% | | | |
| 4 | 2 | 6 | 13 | 2 | 0 | 61 | 2.65 | 0.78 |
| | 9% | 26% | 57% | 9% | 0% | | | |
| 5 | 0 | 4 | 6 | 10 | 3 | 81 | 3.52 | 0.95 |
| | 0% | 17% | 26% | 43% | 13% | | | |
| 6 | 2 | 4 | 3 | 13 | 1 | 76 | 3.30 | 1.11 |
| | 9% | 17% | 13% | 57% | 4% | | | |
| 7 | 10 | 8 | 4 | 1 | 0 | 42 | 1.83 | 0.90 |
| | 43% | 35% | 17% | 4% | 0% | | | |

| Statements |
|--|
| 1. Consultant's response to cases' matters is efficient. |
| 2. JO officers' response to consultants' request is efficient. |
| 3. Consultant maintains a positive relationship with the complainants |
| 4. JO officers maintain a positive relationship with the complainants |
| 5. Change of the personnel of consultants affects the operation performance. |
| 6. Change of the personnel of JO officers affects the operation performance. |
| 7. Consultants are performing their professionalism in IWSC. |

- Report performances

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 0 | 4 | 9 | 8 | 2 | 77 | 3.35 | 0.88 |
| | 0% | 17% | 39% | 35% | 9% | | | |
| 2 | 2 | 5 | 12 | 4 | 0 | 64 | 2.78 | 0.85 |
| | 9% | 22% | 52% | 17% | 0% | | | |
| 3 | 0 | 4 | 5 | 11 | 3 | 82 | 3.57 | 0.05 |
| | 0% | 17% | 22% | 48% | 13% | | | |
| 4 | 3 | 12 | 4 | 3 | 1 | 56 | 2.43 | 1.04 |
| | 13% | 52% | 17% | 13% | 4% | | | |
| 5 | 4 | 13 | 6 | 0 | 0 | 48 | 2.09 | 0.67 |
| | 17% | 57% | 26% | 0% | 0% | | | |

| Statements |
|---|
| 1. There are too many report materials within one case of IWSC. |
| 2. Quality of report submitted by consultants is always acceptable. |
| 3. Requirement for amendments in a report by consultants is seldom. |
| 4. Requirement for resubmission of a report by the consultants is seldom. |
| 5. Requirement for retest of IWSC by consultants is seldom. |

- Other performances measurements

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 6 | 12 | 3 | 2 | 0 | 47 | 2.04 | 0.88 |
| | 26% | 52% | 13% | 9% | 0% | | | |

| Statements |
|---|
| 3. Sanctions against the performance of consultants are adequate. |

Outsourcing outcomes

| Possible pair of outcomes | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Mean score |
|---------------------------|----|-----|-----|-----|----|----|----|------------|
| a | 0 | 5 | 11 | 5 | 2 | 0 | 0 | 3.17 |
| | 0% | 22% | 48% | 22% | 9% | 0% | 0% | |
| b | 0 | 3 | 7 | 11 | 2 | 0 | 0 | 3.52 |
| | 0% | 13% | 30% | 48% | 9% | 0% | 0% | |
| c | 1 | 5 | 7 | 9 | 1 | 0 | 0 | 3.17 |
| | 4% | 22% | 30% | 39% | 4% | 0% | 0% | |

| Possible pair of outcomes | 1-7 | |
|-----------------------------------|-----|------------------------------|
| a) Improvement to service quality | <> | Reduction to service quality |
| b) Operational flexibility | <> | Operational inflexibility |
| c) Operational effectiveness | <> | Operational ineffectiveness |

Outsourcing relationships

| Statements | Strongly agree | Agree | Undecided | Disagree | Strongly disagree | Total score | Mean score | Std. dev. |
|------------|----------------|-------|-----------|----------|-------------------|-------------|------------|-----------|
| 1 | 5 | 9 | 4 | 5 | 0 | 55 | 2.39 | 1.08 |
| | 22% | 39% | 17% | 22% | 0% | | | |
| 2 | 6 | 9 | 6 | 2 | 0 | 50 | 2.17 | 0.94 |
| | 26% | 39% | 26% | 9% | 0% | | | |

| Statements |
|--|
| 5. JO and consultants shared the same objective in IWSC. |
| 6. The responsibility between JO officers and consultants are clear. |

| Possible pair of outcomes | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Mean score |
|---------------------------|-----|-----|-----|-----|-----|----|----|------------|
| a | 0 | 4 | 10 | 5 | 4 | 0 | 0 | 3.39 |
| | 0% | 17% | 43% | 22% | 17% | 0% | 0% | |
| b | 0 | 3 | 13 | 3 | 2 | 2 | 0 | 3.43 |
| | 0% | 13% | 57% | 13% | 9% | 9% | 0% | |
| c | 0 | 8 | 7 | 6 | 2 | 0 | 0 | 3.09 |
| | 0% | 35% | 30% | 26% | 9% | 0% | 0% | |
| d | 0 | 9 | 7 | 6 | 1 | 0 | 0 | 2.96 |
| | 0% | 39% | 30% | 26% | 4% | 0% | 0% | |
| e | 5 | 6 | 8 | 3 | 1 | 0 | 0 | 2.52 |
| | 22% | 26% | 35% | 13% | 4% | 0% | 0% | |
| f | 6 | 6 | 8 | 3 | 0 | 0 | 0 | 2.35 |
| | 26% | 26% | 35% | 13% | 0% | 0% | 0% | |

| Possible pair of relationships | 1-7 | |
|--------------------------------|-----|------------------------------|
| a) Co-operative | <> | Adversarial |
| b) Partnership building | <> | Strictly contractual |
| c) Improving | <> | Declining |
| d) Flexible to emerging needs | <> | Inflexible to emerging needs |
| e) Respectful | <> | Disrespectful |
| f) Involved | <> | Distant |

Appendix X

Interview Questions to the Consultants

Performance measurement:

1. Do you get clear requirements for the investigation from JO?
2. Are the requirements consistent from different JO officers?
3. Are there too many report materials for the investigation work? Why?
4. Is the requirement to consultants for amendments or resubmission of reports frequent? Why?
5. Will the further amendments or resubmission of work cause an additional workload to the staffs?
6. Do your staffs always meet the requirements of the work? If not, why?
7. What will be the consequence if the consultants do not meet the performance requirement?
8. Do the contractors efficient in handling the investigation? If not, why?
9. What are your views about the quality of service done by the consultants?
10. What is the relationship between the staff and complainants?
11. What difficulties are you facing in handling the work?
12. Have your company received any warning letters?

Outsourcing outcome:

1. Do you think the anticipated benefits of outsourcing achieved by JO?

Outsourcing relationship:

1. How do you describe the existing relationship between JO and consultants?
2. Any adversarial relationship reported from your staff?
3. Do you share the same objective as JO in handling the investigation? Why?
4. Are the requirements between you and consultants mutually agreed? Why?
5. Are there any unclear responsibilities between you and the consultants? If yes, why?

Others:

1. Is there a comprehensive record management for the investigation work? Why?
2. Would you observed any negative impact from staffs?
3. Do you find the outsourcing work lead to inflexibility in responding to the need of communities?
4. Are there any subcontractors for handling the outsourced work?
5. What is your opinion on the duration of the contract?
6. Are you motivated to continue to tender for the investigation work?
7. Any improvements are required for the outsourcing arrangement of JO?
8. Any improvements are required for handling of water seepage complaints by JO?

Appendix XI

Notes to Owners

Translation
Notes to Owners/Occupiers
General Procedures for Investigating Water Seepage Problems
by the Joint Office of the Buildings Department and
the Food and Environmental Hygiene Department

Responsibilities of Owners and Occupiers

Water seepage is usually caused by defective building fabric or installations and their lack of proper maintenance. As it is the responsibility of owners and occupiers to maintain their buildings and to ensure environmental hygiene, their co-operation in resolving water seepage problems is essential.

Objective of the Joint Office

The objective of the Joint Office (JO) is to identify the source of seepage by means of systematic investigation, through the legal authority and the professional expertise of the relevant government departments as well as the co-operation of the owners/occupiers, and to require the owners concerned to carry out repair in order to resolve the water seepage problem.

Reinstatement works of the affected premises or area will not be undertaken by JO.

General Procedures

JO staff will contact the complainant within 6 working days upon receipt of a complaint to arrange an inspection to the affected premises. The complainant should assist in arranging access to the affected premises or area as far as possible, and also remove anything (e.g. false ceiling) that tends to conceal the seepage location in order to facilitate investigation.

If the water seepage nuisance is identified, JO staff will carry out investigation and tests at the premises suspected to have caused the seepage by virtue of the authority vested in them under the Public Health and Municipal Services Ordinance (Cap.132). In the case that access to the premises for investigation is denied, JO will apply for a “Warrant to Effect Entry into Premises” from the Court in order to proceed with investigation and tests.

The Joint Office will carry out non-destructive tests systematically so as to identify the seepage source. With the co-operation of the concerned owners/occupiers, normally the Joint Office will complete the investigation and inform the complainant of the outcome within 90 working days. If the investigation cannot be completed within 90 working days, the Joint Office will notify the complainant of the investigation progress in writing. If the seepage is mild, or significant improvements have been found, or the source of seepage cannot be identified after such tests, the investigation work of JO will cease.

Investigating Water Seepage Problems

In general, water seepage investigation will be conducted in 3 stages by the Environmental Nuisance Investigators, Building Safety Officers or the staff of the private consultants appointed by JO respectively.

Stage I – Confirmation of Water Seepage Nuisance (by Environmental Nuisance Investigators)

JO staff will visit the complainant’s premises to record the condition of the seepage location and other relevant information. If the moisture content of the seepage area is found to exceed 35% and premises of other owner are suspected to have caused the seepage problem, **Stage II – “Initial Investigation”** will be carried out.

Stage II – Initial Investigation (normally by Environmental Nuisance Investigators)

One or more of the following tests will be conducted by JO staff depending on the circumstances of each case:

| Test method | Test location | Premises involved | Time required#1 |
|-----------------------------|-------------------------------------|---|--------------------------|
| Colour Water Test | Drainage outlets | Suspected premises | about 1 hour |
| Reversible Pressure Test #2 | Water supply pipes and seepage area | Suspected premises and complainant's premises | about 3 to 5 hours |
| Moisture Content Monitoring | Wall surface/ ceiling | Complainant's premises | about 0.5 hour each time |

#1 Time required for each test may vary according to the site condition.

#2 Reversible pressure test will be carried out only if leakage from water supply pipes is suspected and continuous water dripping is detected in the seepage area.

Normally, JO staff will visit the suspected premises once or twice for investigation and tests. In complicated cases (e.g. those involving more than one bathroom or several seepage locations), multiple visits for investigation and tests will be required. In some special cases, additional visits to the complainant's premises may be required for confirming the test results or monitoring any changes in the seepage condition. If a case is so complicated that the source of seepage cannot be identified immediately after "Initial Investigation", JO will proceed to **Stage III – "Professional Investigation"**.

Stage III – Professional Investigation (by Building Safety Officers or the staff of the private consultants appointed by JO)

JO staff or staff of the consultants appointed will carry out one or more of the following tests:

| Test method#3 | Test location | Premises involved | Time required#4 |
|--|---|---|--------------------------|
| Leaking Test | Floor slabs of balcony/bathroom/kitchen | Suspected premises | about 2 hours |
| Reversible Pressure Test (not carried out in Stage II) | Water supply pipes and seepage area | Suspected premises and complainant's premises | about 3 to 5 hours |
| Moisture Content Monitoring | Wall surface/ceiling | Complainant's premises | about 0.5 hour each time |

#3 Based on the test results, JO staff or the consultants appointed will make assessment to 4 possible seepage sources (leakage of drainage pipes, leaking water supply pipes, defective floor slabs and rainwater penetration). When necessary, JO will conduct tests again at any suspected sources of seepage.

#4 Time required for each test may vary according to the site condition.

Normally, JO staff will visit the suspected premises once or twice for investigation and tests. In complicated cases (e.g. those involving more than one bathroom or several seepage locations), multiple visits for investigation and tests will be required. In some special cases, additional visits to the complainant's premises may be required for confirming the test results or monitoring any changes in the seepage condition.



**Joint Office of
Buildings Department & Food and Environmental Hygiene Department**

JO (5/2008)